

**FINAL REPORT
INTERNATIONAL RESEARCH COLLABORATION
AND SCIENTIFIC PUBLICATION**



**INNOVATIVE MODEL FOR IMPLEMENTATION CORPORATE SOCIAL
RESPONSIBILITY TO REALIZE GREEN SMALL AND MEDIUM ENTERPRISES:
EVIDENCE FROM JAPAN AND INDONESIA**

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CORPORATE SOCIAL RESPONSIBILITY TO
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Background

Small and Medium Enterprises (SME) have a strategic role in national income and the reduction of unemployment. Indonesia's economy is dominated by SMEs. Development of SMEs need to get attention from both government and the community in order to grow more competitive with other economic actors. Free trade have great implications on the growth of SMEs. AFTA and APEC have broad implications for small and medium enterprises to compete in free trade. SMEs required to undertake the production process efficient and produce the products according to global quality standards such as the issue of quality (ISO 9000), environmental issues (ISO 14000), and the issue of human rights (HAM). This issue is often used unfairly by developed countries as a barrier (Non Tariff Barrier for Trade). Therefore, when SME go international especially into developed economies, SME need to realize explicit CSR policies. CSR is an investment in securing a continued license to operate. It reduces the risks of shutdown and sustains industrial and future growth of the company (Wall, 2008).

Corporate social responsibility (CSR) has been a widely discussed topic primarily from the view point of multi-national corporations (MNCs). CSR in small- and medium-sized enterprises (SMEs) is a relatively new topic in research. CSR in SMEs has received limited consideration (Spence, 1999). There are several limitation that SMEs face when trying to implement a CSR agenda. Many SME do not implement CSR as their perception that CSR is a burden and a financial cost (Morsing and Perrini, 2009). While SMEs have traditionally been presented as non-entrepreneurial in CSR, this paper demonstrates how SMEs can take advantage of the opportunities presented by CSR and maximise the business benefits from making the most of such opportunities. This project aims to fulfill this need by providing an extremely comprehensive analysis.

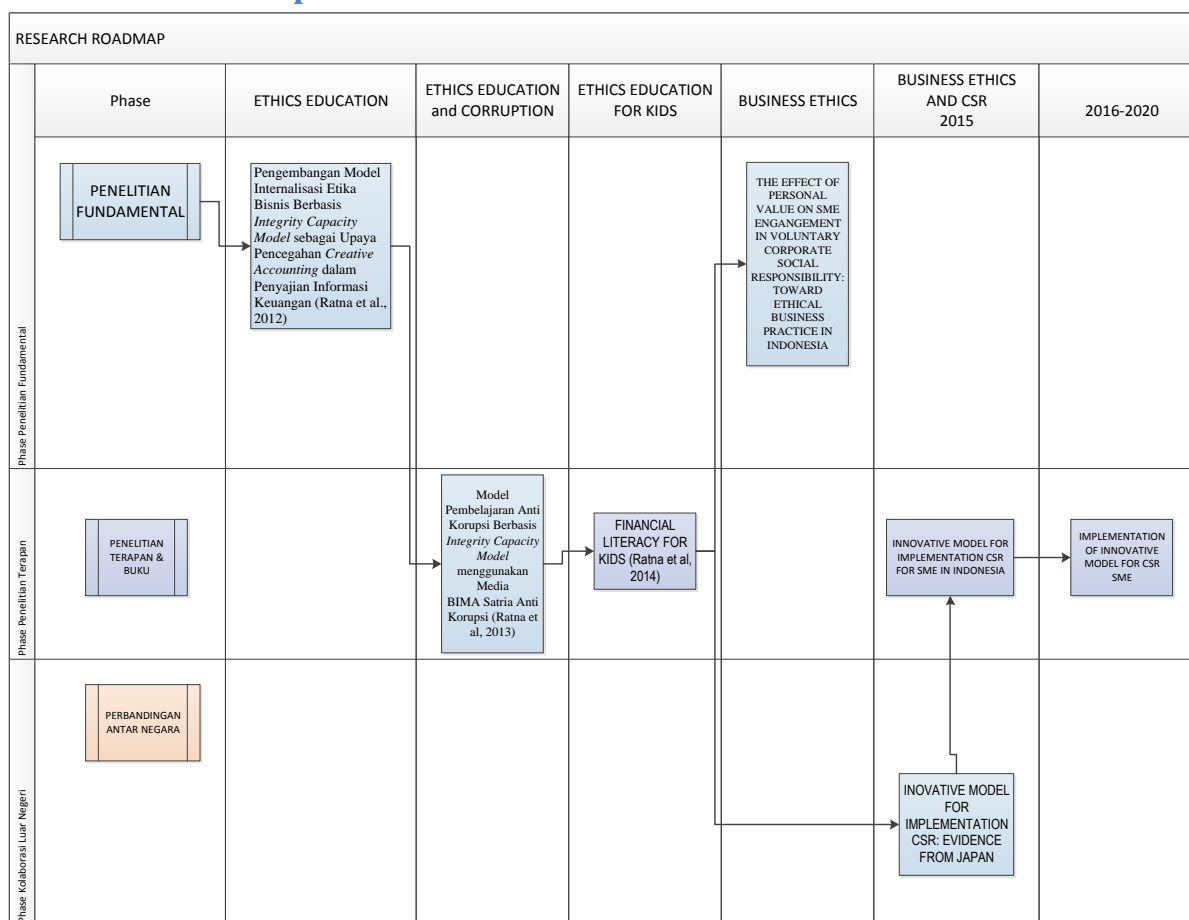
On the Indonesian side, Dr. Ratna Candra Sari, from FE UNY will be coordinating this project. He is a corporate governance and business ethics specialist who has experiences both as a practioner and a researcher. As we attempt to build a broad research network, we also integrate with Ir Setyabudi Indartono, Ph.D form UNY as a business ethics specialist and Indah Mustikawati, M.Si from Yogyakarta State University (Universitas Negeri Yogyakarta) as small and medium enterprises and corporate ethics specalist. On the Japan side, Tsuchiya Takeshi, PhD from Aichi University of Education as profesor of education and Lecturer in Aichi University of Education Japan will be coordinating this project. He has a broad set of publications in internationally-reputed journals. The collaboration between FE UNY and Aichi University of Education will facilitate Indonesian researchers to publish in international journals and open a broad international network, since Aichi University of Education has forged links with many overseas universities.

Specific Objectives

Current research and literature on CSR focuses on large companies. Currently there is no generally accepted model for the implementation of CSR for SMEs. In addition there are several barriers for SMEs to implement CSR that are the financial and human resource limitations, lack of accountability and awareness of environmental issues and the lack of a model for the implementation of CSR for SMEs.

This study aims to (1) How does the implementation model of CSR by SME in Japan (2) How far the japeense SME already implement corporate social responsibility (3) How far the readiness of Indonesian SME in facing liberalization and The Effect of Personal Value On CSR engagement.

Research Roadmap



Research Urgencies

Small and Medium Enterprises (SMEs) have a strategic role in national economic development. Development of SMEs need to get attention from government, communities and other stakeholders. AFTA and APEC will have a broad implications for small and medium enterprises to compete in free trade. SMEs required to undertake the production process efficient and produce the products according to global quality standards such as the issue of quality (ISO 9000), environmental issues (ISO 14000), and the issue of human rights (HAM). This issue is often used unfairly by developed countries as a barrier (Non Tariff Barrier for Trade). Therefore, when SME go international especially into developed

economies, SME need to realize explicit CSR policies. CSR is an investment in securing a continued license to operate. It reduces the risks of shutdown and sustains industrial and future growth of the company (Wall, 2008).

However, current research and literature on CSR focuses on large companies. Currently there is no generally accepted model for the implementation of CSR for SMEs. In addition there are several barriers for SMEs to implement CSR that are the financial and human resource limitations, lack of accountability and awareness of environmental issues and the lack of a model for the implementation of CSR for SMEs.

Japan and Indonesia is an attractive setting for the study. Japan is country which has been at the forefront of environment cooperation in Asia and an international trendsetter in green market promotion for multiple decades. As economies of neighbouring countries expand rapidly, many Asian countries have followed Japan's implementation of tools for green markets such as Ecolabels, Green Purchasing Network, and Green Public Procurement. Therefore the results of research in Japan will produce role model and best practices of CSR implementation.

The potential output of our proposed project is multifold. First, as we should construct innovative model of CSR implementation, our research papers will be original and very promising for publication. Second, our research partner (AICHI) has a broad international network that allows Indonesian researchers to be connected with overseas researchers. Third, the collaboration with AICHI will also facilitate Indonesian researchers to publish in highly-qualified international journals, since AICHI researchers have a broad set of highly-qualified publications.

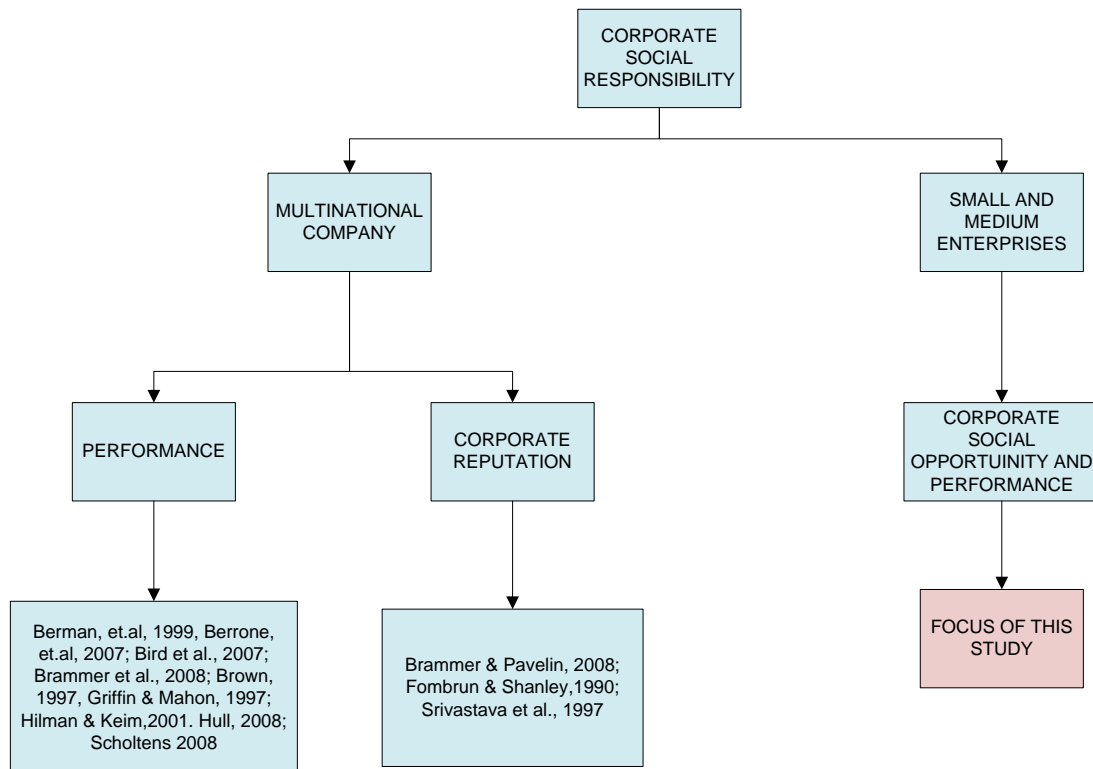
On the whole, our initial collaborations during two years will establish an extremely comprehensive analysis. In this collaboration, Indonesian researchers should be also attending research meeting hosted by AICHI, for at least two reasons. First, the field of CSR

relatively underdeveloped in Indonesia. Therefore, AICHI will involve Indonesian researchers in their seminars and workshops for building deeper insights on the recent issues in CSR. Second, Japan is country which has been at the forefront of environment cooperation in Asia and an international trendsetter in green market promotion for multiple decades. Therefore, Indonesian researchers can explore the Japanese experiences in CSR implementation during their visit to AICHI.

Expected Research outcome

Year	Type	Title	Journal
First Year	International Journal	THE EFFECT OF PERSONAL VALUE ON SME ENGAGEMENT IN VOLUNTARY CORPORATE SOCIAL RESPONSIBILITY: TOWARD ETHICAL BUSINESS PRACTICE IN INDONESIA	Asian Academy of Management Journal of Accounting & Finance
Second Year	International Journal	MODERATING AND MEDIATING OF ETHICAL SENSITIVITY ON THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON SME's REPUTATION	- Social Responsibility Journal
	International Journal	THE EFFECT OF ETHICAL SENSITIVITY OF SME's OWNER ON THE CORPORATE SOCIAL RESPONSIBILITY INTENTIONS TO PROMOTE SME's REPUTATION	- Academy Management Review
	International Conference		Japan Forum of Business and Society (JFBS

Literature Review



Corporate social responsibility (CSR) has been a widely discussed topic though primarily from the view point of multi-national corporations (MNCs). CSR in small- and medium-sized enterprises (SMEs) is a relatively new topic in research. CSR in SMEs has received limited consideration (Spence, 1999). Therefore, this study focus on innovative model of CSR in SME.

Corporate Social Responsibility

The ISO 26000 definition of social responsibility (SR) is as follows:

“Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that:

- a. contribute to sustainable development, health, and the welfare of society;
- b. take into account the expectations of stakeholders;

- c. is in compliance with applicable law and consistent with international norms of behavior;
- d. is integrated throughout the organization and practiced in its relationships.”

Stakeholder Theory

The stakeholder is also defined as the society of business organizations (Anderson. 1989).

Anderson Jr. (1989) preferred to use the term stakeholders as the relationships among the business and the government, the environment, the consumer, the community, and the employer employee. Linda K. Trevino and Katherine A. Nelson (1995) defined the stakeholder as any party who has a stake in what the organization does and how it performs. According to them, the most important stakeholders related to the long-run business are customers, employees, and the community. However, a prerequisite for a healthy business is a healthy environment. In a later development of this concept, they introduced the concept of stakeholders including owners, managers, customers, employees, suppliers, the community, the government, the natural environment, and stockholders.

Business ethics has attempted to define the responsibilities of a corporation and its relationships with the stakeholders [investors, customers, employees. franchisees, trading partners, the local community and even society-at-large]. The soul of a corporation is essentially the interaction among them.

Marcello Palazzi and George Starcher (1998) argued that in order to generate more profits and growth for the long term, the stakeholder concept must be incorporated into corporate strategies. The stakeholder concept implies that management's task is to seek

optimum balance in responding to the various interests of the stakeholders that include customers, employees, business partners, the environment, communities, and investors.

Other definitions can be found in various references. This study will define the stakeholder as any party who has interest(s) and power(s) toward a corporation to achieve its objectives. The stakeholders include customers, employees, investors, business partners, the community, and the environment..

On Utilitarianism, attempted to contribute something towards the understanding and appreciation of the utilitarian or happiness theory and towards such proof as it is susceptible. The creed which is the foundation of morals uses utility, or the greatest happiness principle (see also Bentham. 1789) and holds that actions are right in proportion as they tend to promote happiness (enjoyment of pleasures and security from pain), wrong as they tend to produce the reverse of happiness: a necessary part o f a perfectly just conception of utility, or happiness, considered as the directive rule of human conduct. The acceptance of the utilitarian standard is not the agent's own greatest happiness, but the greatest amount of happiness altogether.

Gellermann. Frankel & Ladenson (1990). through their book. *Values and Ethics in Organization and Hitman System Development: Responding to Dilemmas in Professional Life*. divided the concept of ethics into two categories: ethics as morality and ethics as the quest lor a good life. Morality [also defined in Webster's dictionary] is a doctrine or system o f conduct defining principles of right and wrong in behavior. In this conception of ethics it is seen as the quest for a good life. Gellermann gave the most interesting example to this concept, from Aristotle's Nichomachean Ethics (1941) where the end goal of the human being is to attain a good life within a society. In other words, ethics may also be defined as the art of directing one's actions to the production of the greatest possible quantity of happiness, on the part of those whose interest is in view (Bentham. 1789: Mill. 1863).

Most business leaders would agree that they are managing in times of turbulence and accelerating change. Therefore, forces that are challenging the traditional views of competitiveness and the success factors are: (a) globalizations of markets, consumer preferences, supply chains and financial flows: (b) increasing intensity of competition: (c) rapid technological changes: (d) a shift from an industrial economy to a knowledge and information - based economy: (e) demographic changes: (f) environmental challenges caused by pollution and resource depletion: (g) changing value systems finding expression in different life styles and expectations on the part of employees, customers, and communities as a whole.

As the world business environment changes, so do the requirements for success and competitiveness. Because of the forces at work, building deeper and more strategic relationships with customers, suppliers, employees, communities and other stakeholders [the corporate ecosystem] can become central to competitiveness and even survival.

Building these relationships can form the foundation for a new, progressive and people-centered corporate strategy that attacks the sources - not the symptoms - of challenges facing business today. This brings us to the increased importance of the social responsibility of the company. Social responsibility is fundamentally a philosophy or a vision about the relationship of business and society, one requiring leadership to implement and sustain it over time. It is most effectively treated as an investment, not a cost, much like quality management. There are six key responsibilities or dimensions of corporate social responsibility and the essential part of CSR is how to manage them: customers, employees, business partners, the environment, communities, and investors [also called as the owners or stockholders]. Each will be considered in turn.

Customers

Successful companies build lasting relationships with customers by focusing their

whole organization on understanding what the customers want and on providing them superior quality, reliability and service. This intense focus on customers has also been referred to as the marketing concept, which simply means that the purpose of a company is to serve customers and to satisfy their needs and desires. Carroll (1997) called this concept the *caveat-emptor* philosophy. There are three value disciplines that successful companies can adopt to command leadership in their markets. First is operational excellence, where customers basically want the lowest cost with the best services.

Second is product leadership, where customers want the best possible products. The last is customer intimacy that involves the selection of one or a few high-value customer niches followed by an obsessive effort at getting to know these customers in detail. (Treacy & Wiersema. 1997)

Employees

Socially responsible businesses are doing more to provide work which is meaningful, and which helps employees to develop and to realize their potential. They are seeking to provide fair wages, a healthy and safe work environment, and a climate of respect. Management practices and human resource policies often include empowerment of middle management and employees: better information throughout the company: a better balance between work, family, and leisure: greater work force diversity: continual education and training: and concern for employability as well as job security. There is increasing evidence that those practices which provide more meaningful work and higher quality of life in the workplace have a very direct impact on profits through increased productivity, greater innovation, higher quality and reliability, and more skillful and committed people at all levels. Furthermore, many companies find that caring for employees results in greater customer satisfaction.

Some leading companies are finding that by changing work practices, work structure, and work culture in order to improve work-family integration, they can reap significant benefits

in terms of productivity, employee commitment, innovation, lower turnover, and better quality. In other words, work-family integration can become a competitive advantage

The Environment

Responsible business leaders are providing clear evidence that sustainable environmental management makes good business sense. The first level of action has been in promoting and practicing eco-efficiency, which means creating value by doing more with less over the full lifecycle of the product by reducing energy inputs and toxic dispersion, enhancing material recyclability, maximizing sustainable use of renewable resources, extending product durability, and enhancing the functionality of goods and services. These business practices highlight the positive connections between economic and ecological efficiency. There is growing evidence that companies that rate highly on environmental criteria also provide better-than-average returns to shareholders.

Communities

Business operates in neighborhood, local, regional, national, and global communities.

Companies can make no more important contribution to these communities, and especially to local communities, than to provide meaningful jobs, fair wages and benefits, and tax revenues. The success of business is linked to the health, stability, and prosperity of the society and of the communities in which it operates. If education is neglected, or not relevant to the needs of business, as is too often the case, companies cannot have a competitive work force. Companies relate to communities in various ways: charity, social investment, partnerships, and business basics.

Community cultures are related to the traditions, habits, way of life, behaviors, beliefs, etc.

Those are very important aspects that must be considered by every manager in the development of business objectives. Experiences have shown us that certain communities were able to dominate business life and successes. Why did the Chinese minorities thrive

economically in some countries such as Indonesia. Malaysia. Philippines, and even in San Francisco? The answer is culture as described by Lawrence Harrison and Samuel Huntington (Harrison & Huntington. 2000) in their book. *Culture Matters: How Values Shape Human Progress*. This book seeks to explain how the Mexican culture is destroying the United States of America. In Indonesia, the population of Chinese is only 3% of the total population but they dominate 70% of the Indonesian economy. Many people believe this is due to their culture. In this case, managers are required to understand, to appreciate, and to treat their cultures. In the global society, cross-cultural or multi-cultural aspects are also very important in business activities. It has been very common that multinational companies must change their strategies to accommodate the local cultures in order to survive within their communities.

Corporate Social Responsibility

Ethical responsibilities encompass the more general responsibility to do what is right and to avoid harm. Ethics go beyond the legal code since business must not only be lawful but also must be morally acceptable to all of the constituencies with whom it has dealings. Philanthropic responsibilities involve the corporation's active involvement in activities that promote human welfare such as donations of time and money to the people, organizations, or communities. *These responsibilities are considered as voluntary activities*. Failure to conduct them is not considered to be unethical but will affect the company's reputation within communities.

Social responsibility is fundamentally a philosophy or a vision about the relationship of business and society, one requiring leadership to implement and sustain it over time. It is most effectively treated as an investment, not a cost, much like quality management. There are six key responsibilities or dimensions of corporate social responsibility and the essential

part of CSR is how to manage them: customers, employees, business partners, the environment, communities, and investors [also called as the owners or stockholders]. Each will be considered in turn.

Economic responsibilities refer to business' primary function as a producer of goods and services that consumers need and want, while making an acceptable profit. This responsibility is considered to be primary because without financial capability the other responsibilities cannot be conducted. The first conception treats ethics as being fundamentally concerned with rules of interpersonal conduct where ethics consists, at its core, of a set of rules that apply to human beings over the totality of their relationships with one another and that take precedence over all other rules. Good behavior intends no harm and respects the rights of all affected, and bad behavior is willfully or negligently trampling on the rights and needs of others. If ethics is a part of life, so it is also a part of work, labor, and business. Work is not something detached from human life.

As the world business environment changes, so do the requirements for success and competitiveness. Because of the forces at work, building deeper and more strategic relationships with customers, suppliers, employees, communities and other stakeholders (the corporate ecosystem) can become central to competitiveness and even survival. Building these relationships can form the foundation for a new progressive and people-centered corporate strategy that attacks the sources - not the symptoms - of challenges facing business today. This brings us to the increased importance of the social responsibility of the company

Porter & van der Linde (1995) states that CSR involves a trade-off between the benefits of social and personal costs. The 'Porter hypothesis' states that innovation can arise from environmental issues, which can lead to a competitive commercial advantage. Porter &

Kramer (2006) argue that the disconnect between CSR and business strategy will decrease the chances of the company to get people's attention and to achieve competitive advantage

CSR as part of strategy. The adoption of CSR provides increased strategic advantages in addition to risk mitigation.

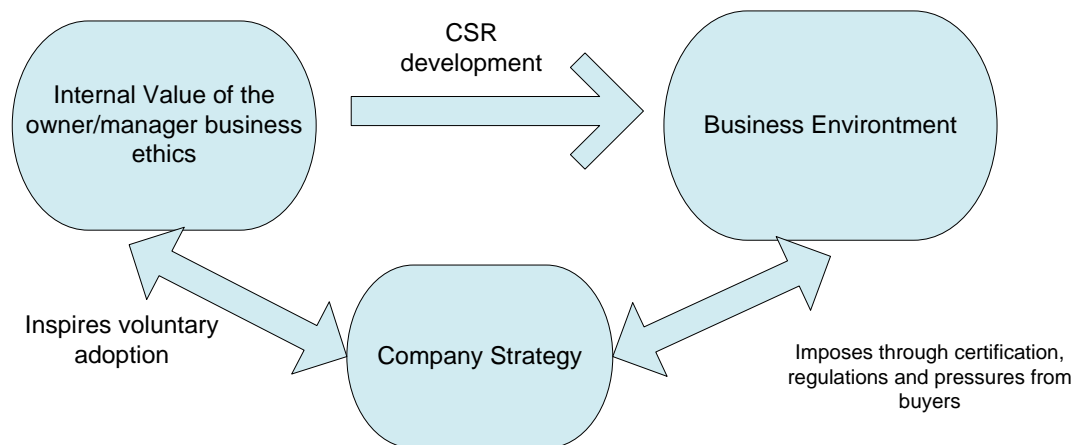


Figure 1. How CSR influences strategy

Adopting CSR is also a means of managing risk and minimizing the impact of certain risks when they materialize. When companies go international especially into developed economies, SME need to realize these through explicit CSR policies. Hence, it is essential that CSR activities, which are relevant for the company, are wholly embedded in their strategy. This risk is a strategic risk and can have serious financial implications.

The other risk that is seen with respect to international expansion is the possibility of restricted access to international markets. Thus, CSR is an investment in securing a continued license to operate. It reduces the risks of shutdown and sustains industrial and future growth of the company (Wall, 2008). There are several risk when CSR policies are not implemented:

- a. Restricted market access (strategic risk)
- b. Negative publicity and reputational affects (reputational risk).
- c. Reduced ability to leverage on opportunities arising from CSR (CSO)
- d. Discontinuous organizational change as a result of forced requirements due to regulations and legislative actions (operational and compliance risk)
- e. Credit risk

Ethics

Ethics is an integral part of doing business everyday, not just an occasional item on the agenda where trust has always been an essential factor in successfully conducting business. Ethical conduct helps to build trust between an organization and its customers, creditors or shareholders, government and other stakeholders. Managing for ethical conduct can be considered more difficult these days because of the sheer complexity of doing business. Economic pressure, rapidity of change, downsizing, globalization, the impact of technology and shifting social values all add this complexity.

Ethics and morality is basically inherent in every individual life. However, as stated by Sigmund Freud, morality is a product of society. In this case, there is a strong relationship between individual behavior and its organization as well as the society at large. However, it is sometimes very difficult to see clearly the direction of influence, whether from the individual to organizations and society or the other way around, especially at this time where we live in the global society. The wide range and the debates of ethical and morality standards sometimes cause ambiguities or even difficulties within certain societal life in particular where different social values are facing the same interest. The concepts of ethics and morality principles may also be significantly different in understanding and implementation, where the

society is in the process of transition toward modernization and democratization, especially in the developing countries.

CSR, in broad summary, is the ethical behavior of a company toward society'' (WBCSD 1999). Haines and Leonard (2007) found that the perceived importance of the ethical issue and its context has an overall effect on behavior. A person's susceptibility to situational components greatly depends on that person's predominant level of ethical development. Orlitzky and Swanson (2010) considered executives as having ethical sensitivity when they are able to lead their firms toward good corporate citizenship and provide benefits to society, such as financial returns to shareholders, fair employment standards for workers, etc. Executives with ethical sensitivity must have both organizational and societal responsibilities. In SME, Owner often serves as manager. Fewer hierarchical level permit Owners-Manager contact with all personnel. The effect of owner manager value are thus likely to be more direct in SME rather than in MNC (Forbes, 1999).

This study takes aboard the overall conclusion from the above discussion, and develops a Hypothesis 1:

SME's owner ethical sensitivity effect SME's CSR

- H1a: Ethical sensitivity has positive impact on corporate social responsibility dimensions that is working condition.
- H1b: Ethical sensitivity has positive impact on corporate social responsibility dimensions that is customers concern.
- H1c: Ethical sensitivity has positive impact on corporate social responsibility dimensions that is community involvement.
- H1d: Ethical sensitivity has positive impact on corporate social responsibility dimensions that is environment concern.

Hypothesis 2

H2: CSR are positively related to SME's reputation

H2a: CSR in term of working condition is positively related to SME's reputation

H2b: CSR in term of customer is positively related to SME's reputation

H2c: CSR in term of community involvement is positively related to SME's reputation

H2d: CSR in term of environment is positively related to SME's reputation

H1: CSR are positively related to SME's reputation

H2a: Adoption of CSR in terms of working condition concerns has positive impact on reputation

H2b: Adoption of CSR in terms of customer concerns has positive impact on reputation

H2c: Adoption of CSR in terms of community involvement has positive impact on reputation

H2d: Adoption of CSR in terms of environment concern has positive impact on reputation

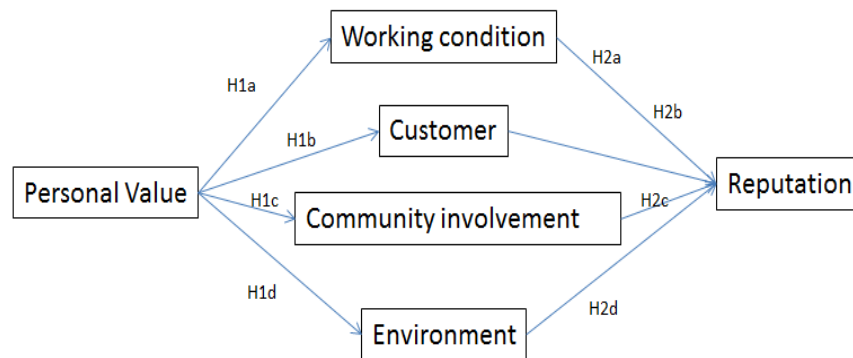


Figure 1 Model of Study

Methodology

Sample and Data Collection

Cluster random sampling is used at this study to obtain the information from Small and Medium Enterprise samples. From 336 Small and Medium Enterprise chosen, 33% response rate was taken of 112 responded of the survey questionnaires. However only 93 responses are selected to further analyze.

Measurement

Ethical sensitivity is measured by using The DIT-2 and its predecessor, the original DIT, are psychometric instruments used to measure an individual's stage of moral reasoning (Rest 1986; Rest et al. 1999). The new iteration has demonstrated construct validity and reliability across contexts, and thus, is the most frequently utilized instrument for measuring moral development today. There are five ethical dilemma scenarios in the DIT-2. Respondents are given a choice of two actions related to the dilemma.

Corporate social responsibility is measured by modifying Kinder, Lindenberg & Domini (KLD) instrument. We use only the five dimensions that are relevant to the SMEs.

Reputation is measured by instrument developed by Subroto (2002)

Demographics of respondents used within the analysis include gender, marital status, and education level.

Result

Demographic variables assessed in the study reflect gender, marital status, age, experience, and education level: 58 % are female, 42% male; and junior high school 15%, senior high school 38%, bachelor degree 42% and postgraduate 4% . This study examines the assumptions underlying the use of structural equation modeling. According to Kock (2013) standard of fitting, the results of the modified model are indicating a satisfactory fit for the measurement model. The results of model of fit by using Warp PLS version 3.0 are shown at the table 2.

Table 2 the Model of Fit

Fit			Value	Standard	
Average path coefficient (APC)			0.335**	P<.05	accepted
Average R-squared (ARS)			0.211**	P<.05	accepted
Average adjusted R-squared (AARS)			0.198**	P<.05	accepted
Average block VIF (AVIF)			1.422	3.3 – 5	accepted
Average full collinearity VIF (AFVIF)			1.552	3.3 – 5	accepted
Tenenhaus GoF (GoF)			0.386	small ≥ 0.1 medium ≥ 0.25 large ≥ 0.36	accepted
Sympson's paradox ratio (SPR)			0.875	$\geq 0.7 - 1$	accepted
R-squared contribution ratio (RSCR)			0.991	$\geq 0.9 - 1$	accepted
Statistical suppression ratio (SSR)			1.000	≥ 0.7	accepted
Nonlinear bivariate causality direction ratio (NLBCDR)			0.750	≥ 0.7	accepted

The results of reliability analysis include the value of CR and AVE shown at table 3. CR index is found to be greater than 0.7 (Nunnally, 1978; Hair et al., 2006), whereas the values of the AVE are greater than 0.5 (Anderson & Gerbing, 1988; Steenkamp & van-Trijp, 1991). Accordingly, all constructs are internally consistent.

Table 3 Factor Loading of Construct

	Items	Mean	SD	Loading	C.R.	AVE
Ethical Sensitivity	EthS1	2.78	2.45	0.945	0.968	0.748
	EthS2	3.38	2.63	0.754		
	EthS3	2.27	2.24	0.951		
	EthS4	2.66	2.3	0.985		
	EthS5	2.8	2.33	0.973		
	EthS6	2.65	2.17	0.967		
	EthS7	2.32	2.32	0.943		
	EthS8	2.7	2.38	0.962		
	EthS9	3.09	2.44	0.891		
	EthS10	2.46	2.34	0.97		
Working Condition	WC1	3.69	1.17	0.815	0.876	0.61
	WC2	3.03	1.38	0.884		
	WC3	2.78	1.59	0.821		
	WC4	3.89	1.38	0.797		
	WC5	3.51	1.22	0.466		
Customer	Cust1	4.66	0.71	0.83	0.816	0.689
	Cust 2	2.8	1.32	0.83		
Community Involvement	CInv1	3.17	1.21	0.87	0.875	0.701
	CInv 2	3.09	1.22	0.907		
	CInv 3	2.18	1.09	0.724		
Environment	Env1	3.91	1.21	0.654	0.875	0.748
	Env2	3.58	1.23	0.861		
	Env3	3.31	1.24	0.792		
	Env4	4.17	0.89	0.873		
Reputation	Rep1	4.71	0.61	0.67	0.932	0.754
	Rep3	4.6	0.83	0.93		
	Rep4	4.68	0.74	0.95		
	Rep5	4.6	0.81	0.9		
	Rep6	4.54	0.75	0.81		

Validity tests are included convergent and divergent validity. The convergent validity test is accepted. It is assessed by checking individual item loadings for each corresponding research construct at table 3. It is found that the values of factor loadings are above the

recommended value of 0.5. Further Average Variance Constructed (AVE) values are found higher than 0.5. Hence based on Fornell & Larcker (1981), the convergent validity is accepted. Discriminant validity is indicated by correlation between variables and the values of square root of AVE. Table 4 shows that the inter-correlation values for all paired latent variables less than 1.0, and square root of AVE values are higher than correlation within the construct test. Therefore indicating the existence of the discriminant validity and values less than the recommended 0.7 (Nunnally & Bernstein, 1994). Accordingly, the values for the discriminate validity between variables do not overlap.

Table 4 Mean, Standard Deviation, Square Root of AVE, and correlation of construct

	1	2	3	4	5	6
1. Ethical sensitivity	0.936	-0.529	0.205	0.275	0.088	0.031
2. Working condition	-0.529	0.771	-0.001	-0.047	0.178	0.222
3. Customer	0.205	-0.001	0.830	0.283	0.564	0.257
4. Community involvement	0.275	-0.047	0.283	0.837	0.233	0.254
5. Environment	0.088	0.178	0.564	0.233	0.800	-0.028
6. Reputation	0.031	0.222	0.257	0.254	-0.028	0.857

Diagonal element: square root of AVE; off-diagonal: correlation between construct

The results of hypothesis testing are shown at figure 2. Hypothesis-1 investigates whether Ethical sensitivity of SMEs' owner is indicated to be positively affect CSR. It is found that ethical sensitivity is positively effect on CSR in terms of customer ($\beta=.36$; $p<.01$), Community involvement ($\beta=.32$; $p<.01$), and Environment ($\beta=.28$; $p<.01$). However it is found to be failed to explain on the working condition ($\beta=-.55$; $p<.01$). Hypothesis-2 tests for further effect of CSR on SMEs' Reputation. The result shows that customer ($\beta=.42$; $p<.01$), community involvement ($\beta=.25$; $p<.01$), and environment ($\beta=.46$; $p<.01$) are significantly effect on SME's reputation. Yet the working condition ($\beta=-.04$; $p>.05$) is not

related to SME's reputation. Hence, Hypothesis are partially supported.

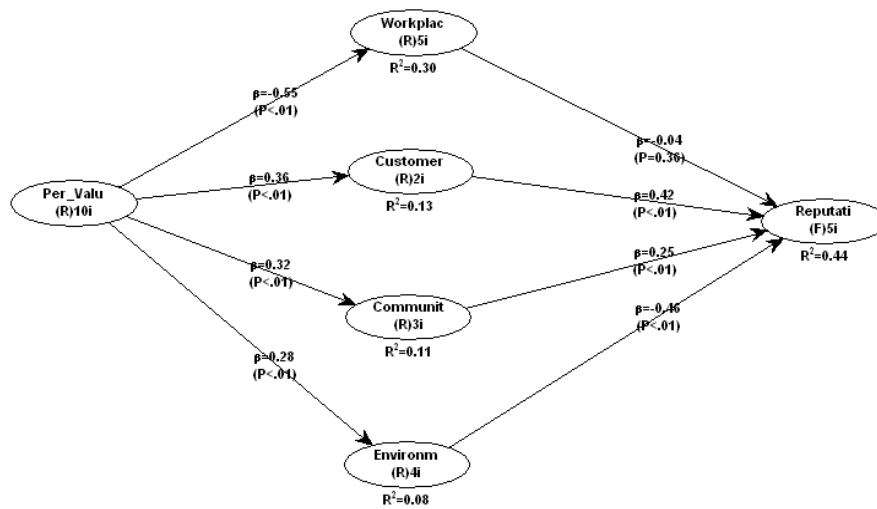


Figure 2 Analysis Result of hypothesis

Discussion

This study finds that partially ethical sensitivity affected to the practices of CSR to promote SME's reputation. It is indicated that the SME's owners are able to recognize or perceive ethical content in a problem situation before an ethical decision is made in term of customers concern, community involvement, and environment concern. However this study suggests that they are failed to recognize or perceive ethical content to make decision on working condition. Hence it is consistently resulted that the SME reputation is found to be reflected by customers concern, community involvement, and environment concern of CSR practice of SME.

These finding reflect that the SME's owners may recognize and understand ethical problem of relationships with customers. The highest effect of ethical sensitivity on customer draws SME's owners have a significant attention to their customer want and on providing them superior quality, reliability and service. It is plausible for overall business players to increase their business success (Humphreys, Robin, Reidenbach, & Moak, 1993). Scholars

believe that the ethical decision making process of small business owner/managers are related to their customers. The nature of the relationship between a small business firm and its customers is, and must be, one of trust. Naturally they focus on customer service and their network of relationships as a means to develop relationships with others. Hence it is believed that they seem on focusing with connecting to customers (McDowell, Harris, Aaron, & Lester, 2014). They identify the consequences of actions and option refers to customer outcomes that in turn to promote consumers' awareness about their product or service, offer educational channel for general public, enhance sustainability of market place, and may connect with other organizations in the community that in turn increase the reputation of their business.

SMEs' owner is likely to be able to recognize and understand ethical problems, conflicts, and consequences of operating business in neighborhood, local, regional, national, and global communities. They are driven to can make more important contribution to their business communities by using various ways: charity, social investment, partnerships, and business basics. It is believed that SMEs' owner reads and expresses their emotions means to understand and identify wellness of the community within their professional boundaries, limited resources and limits of competence. Accordingly, they are likely to balance their individualist perspective with a need to participate in and contribute to the overall wellness of the community in which their business (Schank, Helbok, Haldeman, & Gallardo, 2010). Even SMEs is likely to avoid cash gifts, the owners prefer to support local causes to express corporate values in the public arena as well as to promote firm reputation (Madden, Scaife, & Crissman, 2006). Scholars believed that SME do give they appear to be more generous than their larger counterparts. Many SMEs were found to engage with the community because it benefited their business, either through increasing sales or building staff morale. Hence, it is plausible that ethical sensitivity of SME's owner may bring about the respect to community

in order to acquire their support on their business.

Responsible business leaders are believed to provide clear evidence that sustainable environmental management makes good business sense. Firms rate highly on environmental criteria to provide better-than-average returns to shareholders. Accordingly SMEs' owner is likely to be compelled by their ethical sensitivity to make a better attention to their business environment. Scholars suggest that business player may have a worth attention to their environment to ensure their sustainable business (Tounés, Gribaa, & Messeghem, 2015). Therefore to promote their firm reputation, SMEs' owner is motivated to engage their business environment management.

It is interesting to explain one of the sub- hypothesis results that SMEs' owner ethical sensitivity is negatively related to working condition applied from the sample surveyed that in turn have an inverse effect on firm reputation. CSR orientation is believed to ensure good working condition by various rules and regulations in fair way like paying taxes, and working for society and environment where it makes its operations (Tanveer, Malik, Tul-Habib, & Rizvi, 2012). However it is indicated that the owners may apply a close management within his/her business as well as a family business. Thus the employees seem to be lost their work autonomy. Scholars indicated that some firms may lower its level of CSR undertaking for employees by means of reducing the wage level, extending working hours, provide poor working conditions (Junheng, 2013). It expected to have various inverse outcomes such as poor staff performance, lower employees' loyalty, lower down the image of such corporate, and subsequently lower down the corporate brand value. Employee may perceive that a stronger ethical sensitivity of SMEs' owner on CSR orientation, may increase the external social costs that in turn hold the opportunities of firm profit share on employee such as payment (Salam & McLean, 2014).

Managerial Implication

The current study has various managerial implications such as perspective sharing among internal stakeholders on ethical issues of CSR. Hence there are not differences between top level management and their subordinates in term of intention to CSR. However it may have a difficult solution in term of the communication process of the CSR policy for SME. Accordingly the learning of CSR for all staffs will be important to managers to increase their acceptance of CSR for a long terms orientation. The limitation of budgets and other resources have to be calculated in detail to implement CSR effectively. Hence the allocation of cost and investment center will be clearer.

Limitations and future research direction

Notwithstanding these contributions, this study has its limitations. This study includes single SME industry in Indonesia. A growing and significant SME plays in a Batik business which is inscribed on the UNESCO as world Heritage and has already grows in the international market within various products. However various SME's business are growing and contributing to economic development of Indonesian communities. Accordingly it is an open question as to whether these results can be applied on different broader coverage and level of SME. Different government policies of SME are suggested to have different effect of CSR intention. Hence, national and local policy of government may explain the different ethical sensitivity and CSR program on SME.

INTERNATIONAL CONFERENCE

Our paper was presented at Japan Forum of Business and Society (JFBS) 5th Annual Conference 2015. Humboldt-University Berlin International CSR Conference (HU CSR) CSR Asia Joint Conference



■Date : September 10th - September 11th, 2015 (2 Days Program)

*Doctoral Workshop is to be held on September 10 (the 1st day)

■Venue : 6F and 7F, No. 3 Building, Waseda Campus, Waseda University

■Theme : Entrepreneurship and Sustainable Innovation

Sustainable Development is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" and has been a main theme in the last two decades. Now we need a new step to promote sustainable development in the next decade. Social entrepreneurship is expected to tackle challenges for sustainable development and take the sustainability initiative. Sustainable/social innovation creates new social values through businesses which tackle social and environmental problems with a view to their resolution. To create a new innovation, we need to build and promote collaboration among social business, big business, NGO, local people, government, and academia, and to make a institutional environment to enhance new businesses.

We will discuss various issues and challenges on the theme of "Entrepreneur and Sustainable Innovation". The conference welcomes papers on the following (but not limited to) research topics: Social Entrepreneurship, Sustainable/Social Innovation, Innovation Management, Partnership among Sectors, Regional Development, Sustainable Consumption and Production, Social Marketing. General topics on business and society are also welcome.

Program Committee

- Amemiya, Hiroshi (Representative, Corporate Citizenship Japan, Japan)
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- Omuro, Nobuyoshi (Assistant Professor, Kyoto Sangyo University, Japan)
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- Tanimoto, Kanji (Professor, Waseda University, Japan)
- Welford, Richard (Chairman, CSR Asia, Hong Kong) JFBS 5th Annual Conference 2015



Japan Forum of Business and Society
c/o:Tanimoto Office, School of Commerce, Waseda University,
1-6-1 Nishiwaseda, Shinjyuku-Ku, Tokyo 169-8050 Japan

August 4th, 2015

Invitation Letter

Dear Sir or Madam,

We "Japan Forum of Business and Society"(JFBS) are greatly welcome Dr. Setyabudi Indartono participate our *JFBS the 5th Annual Conference (The International Joint Conference)* to be held from September 10th to 11th at Waseda University, in Tokyo Japan.

We are very much looking forward to his attendance and participation.

Thank you very much for your arrangement.

Sincerely,

President, Kanji Tanimoto
Japan Forum of Business and Society





Invitation Letter



Japan Forum of Business and Society
c/o:Tanimoto Office, School of Commerce, Waseda University,
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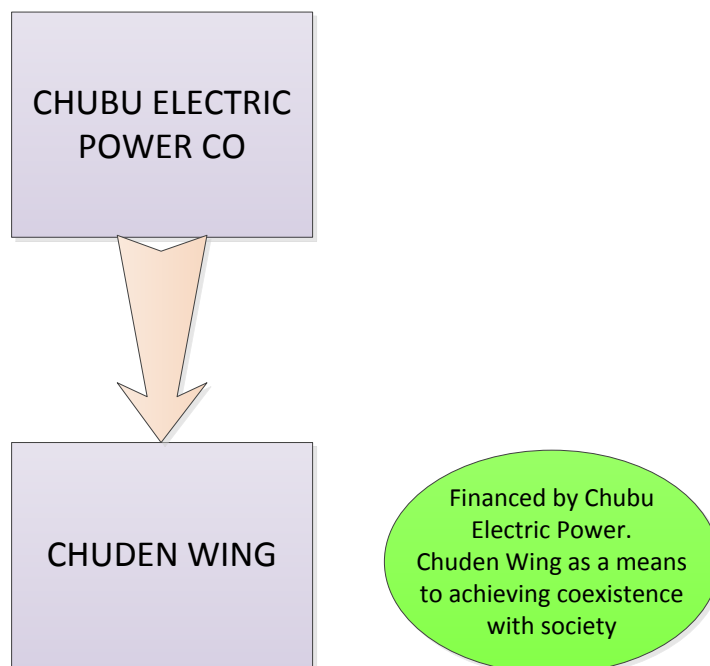
President, Kanji Tanimoto
Japan Forum of Business and Society

OBSERVATION IN JAPAN

We Visit in two Medium Enterprises namely Chuden Wing and Maruya Hatcho Miso in Japan . We observe how they implement their social responsibility.

CHUDEN WING JAPAN

Chuden Wing is a company established in April 2001, entirely financed by Chubu Electric Power Co. It was established to support individuals with severe physical disabilities through promoting their employment, for which opportunities remain limited in Japan. The company is a means of achieving “coexistence” with society” one of Chubu Electric Power principles.



The following is a photograph during a visit to the Chuden Wing





Maruya Hatcho Miso

Maruya Hatcho Miso is the oldest existing Hatcho Miso maker in Japan. Situated in The Heart of the Mikawa district of Aichi prefecture. Maruya Hatcho Miso has been operating since 1337. Its as a brand is perhaps the most renowned in Japan. Maruya Hatcho Miso is small enterprises in Japan and already have a certificate of iso 9001.







Workshop Corporate Social Responsibility For Indonesian's SME

FIRST PAPER

JBE: BUSI-D-15-01125

MODERATING AND MEDIATING OF ETHICAL SENSITIVITY ON THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON INDONESIA SME's REPUTATION 07 Jul 2015

- 08 Jul 2015 Editor Assigned

- 31 Aug 2015 Under review

MODERATING AND MEDIATING OF ETHICAL SENSITIVITY ON THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON SME's REPUTATION

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Abstract

The small and medium enterprises (SMEs) reputation is believed to be supported by the corporate social responsibility (CSR) programs. It is believed CSR activities are able to increase various advantages for SME's. However most of SME's owner tends to reject CSR activities as well as their perceptions of the load of financial responsibility. They are likely argued that their business has various limitations of resources which are needed to apply CSR programs. Accordingly it is believed that different SME's owner's ethical sensitivity may bring over the effect of the CSR's intentions on the SME's reputation. However, few studies explore the effect of CSR's intentions on the SME's reputation based on various SME's owner's ethical sensitivity. This paper investigates the mediation and moderation effect of owner's ethical sensitivity on the effect of CSR on SME's. The result shows that ethical sensitivity is partially mediate and moderate the effect of CSR on SME's reputation. Managerial implication and suggestion for future research are discussed.

Keywords: Ethical Sensitivity, CSR, Reputation

¹Correspondent Author

Introduction

Since small and medium enterprises (SMEs) are announced to make up more than 90 percent of businesses worldwide and account for between 50 and 60 percent of employment, Corporate social responsibility (CSR) for SMEs is likely still receive a little attention (Vives, 2005). Discussion on CSR is widely focused on large corporations. Scholars believe that large firms view CSR as their considerable philanthropic engagement for their workforces in and local communities by using their considerable sums of money on promoting the general well-being of their society than SMEs which are likely resist in applying CSR. CSR becomes a multi-layered concept, which can be differentiated into economic, legal, ethical and philanthropic responsibilities (Matten, 2006). Large corporations are argued to have greater resources available to them to do this and stronger imperatives to do so in the form of a greater number of external stakeholders. Whereas SME's owners assume that to implement CSR, SME's will have various obstacles such as limitations of financial and human resource, lack of accountability, and awareness of environmental issues. Small and medium enterprises are indicated pointing CSR as the process of creating a consensus within the management and leadership network. However, scholars believe that CSR practices for SMEs are able to improve various outcomes such as organizational culture, image and reputation, improve customer loyalty, stakeholders satisfaction, and competitiveness that in turn increase their performance (Pastrana & Sriramesh, 2014; Turyakira, 2014). Yet, the relationship between CSR and sustainable development policy remains unclear (Murillo & Lozano, 2009).

The resistance of CSR intentions of SME's owner is likely to be affected by their different concept related CSR and business ethics (Fassin, Van Rossem, & Buelens, 2011). Some of them are indicated to have less informed and unknowledgeable of the literature on CSR and business ethics. Accordingly ethical sense making occurs among SME's owner related CSR and ethics rather than cognitive perspective. Ethical sensitivity of SME's owners is indicated to effect on the intention and quality of their CSR activities. Scholars argue that most SMEs are frequently must deal with various obstacles implement CSR (Morsing and Perrini, 2009). However few SME's are voluntary engage CSR as a part of their business activity. Hence SME's owner is indicated to have different intention on CSR programs as well as various ethical sensitivities motivate them to release CSR (Spece and Rutherford, 2003, Spence et al., 2003, Hemingway & MacLagan, 2004). Furthermore, Hemingway & MacLagan

(2004) indicate that philanthropy and religious values, social changes and personal values bring over and strengthen SME's owner intention to drive CSR. Personal values and interest in particular social cause can be a motivating factor for CSR. SME's owners are likely adopted a profit-seeking rather than a profit-sacrificing on CSR approaches. Their perception and motivation are believed to incorporate in the decision to engage in CSR (Lee, Herold, & Yu, 2015). Accordingly scholars argue that those factors are absolutely fundamental in the case of small enterprises (Quinn, 1997; Trevino, 1986). This tendencies are in line to the key decision maker which owner-manager shape corporate value and culture in order to manifest their ethical sensitivity toward CSR (Klein and Kellermanns, 2008; Nicholson, 2008). However Lee, Herold, & Yu (2015) argue that SME's owner often has diverse limitation in communicating their CSR activities due to a lack of resources and management skills that in turn drives the overall CSR impact on business performance. Hence their motive is predicted to promote differently to engage the resources gaps on CSR communications. SME's owner with low motivation is indicated to leave the problems than their counterparts which engage their effort by their ethical sensitivity to opt CSR intention. Accordingly, it is predicted that SME's owner sensitivity has unique role on the intention of CSR and firms' reputation.

Various ethical sensitivities may depend on different antecedents such as culture, history, religion, ethical standard, business law and so on. Since Hosted promote various national cultures, empirical studies on different culture are vary. For example, recent study shows that the effect of nationality has stronger effect on culture rather than religion. It is indicated that the share national history is a potential factor to shape cultures (Minkov, & Hofstede, 2014). Within national culture, values are expressed by the model of norms and/or behavior. These values are used to guide principles in life and to be preference for one mode of behavior over another (de Mooij, 2013). Rosenbusch, Brinckmann, & Bausch (2011) argue that SMEs in societies characterized by strong collectivism. Hence, SME's based in collectivism countries is believed to be more benefit than firms operating in countries with medium and high levels of individualism. CSR in the Eastern context is likely has distinctive roots and unique expressions that do not always mirror the current understanding and practice in the western context (Jamali, 2014). Accordingly scholars are attracted to investigate the application of different ethical values within various national cultures that is believed to render ones' ethical sensitivity toward CSR practices on SME. Thus this paper explore the

different ethical sensitivities of SME's owner in term of the effect of CSR on SMEs reputation in the case of Indonesia SME's.

It is believed that this study contributes to explain various finding on the intention of SMEs' CSR on firm reputation based on the deeper values of SME's owner rather than managerial orientation. For example, Murillo & Lozano (2009) argued promoting CSR in SME is a strategic priority, additional space for dialogue to serve for all organizations, as sphere of cooperation established upon an open agenda of activities, and possibility to accumulate knowledge both from the personal and from the institutional perspective. Recent study by Lee, Herold, & Yu, (2015) indicates that perception and motivation of SMEs' owner are believed to incorporate in the decision to engage in CSR. Furthermore, scholars believe that people change their behavior is contingent on the opportunities exposed in the environment (Vivian-chen & Indartono, 2011). They would look for better advantages comparing to the situation offered internally and externally. Being directed by their interest, they would respond to external offering defensively, reactively, or protectively to avoid actions, blaming, or changes. Thus, their behavior might change accordingly when they feel unprofitable. Organizationally, firms try to apply unique strategic postures so as to reach a better position in the market structure. They change, expand, and blend their strategies from more than one pure strategic group to gain the competitive advantage (Desarbo and Grewal, 2008). At the beginning stage, firms may apply the defensive strategy and then opt for the offensive strategy as they move to the next stage as well as intention to apply CSR activities. A firm switching its orientation may cause business environment pressure or the demand of firm accelerations because such change of policies could be rather dynamic. Accordingly, it is plausible that exploring the dynamics ethical sensitivity of SMEs' owner play a significant role on the effect of CSR intention on firms' reputation.

Literature Review

Corporate Social Responsibility

CSR is traditionally associated with huge businesses. However, it is believed that the SME's business sector is such a significant sector worldwide in terms of the economic, environmental and social impact it makes. Hence, scholars turn their attentions to discuss and analyze the principles and practices of CSR in small and medium size businesses. SMEs are not merely small versions of big businesses (Kechiche & Soparnot, 2012). In the beginning, the idea of CSR is described as an obligation for companies to take certain factors

into consideration during the course of their business activities. It encourages companies to implement their business values and to take into account the expectations of all its stakeholders such as employees, suppliers, clients, consumers, the local community, environmental associations and NGOs. Furthermore, Jenkins (2009) point out CSR as an all-embracing idea that concerns having an awareness of the impact of the business, and wanting to have a positive impact on a wide range of stakeholders through the business decisions that are made. Blombäck and Wigren (2009) believe that firms' commitment to the respect to the environment, can embrace the social by involvement in the community and by maintaining good working relations with local actors. Scholars classify SME's CSR into three main categories included isolated internal social measures, external social measures, and environmental measures (Vives, 2006; Russo & Tencati, 2009). Internal social measures consist of the development of talent, the implementation of health and social security measures, and the improvement of working conditions. External social measures consist of the development of network links with the local economy, professional development and social integration. Environmental measures consist of the reduction of energy consumption, reduction of waste and waste recycling (Kechiche & Soparnot, 2012).

The key responsibilities or dimensions of CSR include customers, employees, business partners, the environment, communities, and investors. Successful companies build lasting relationships with customers by focusing their whole organization on understanding what the customers want and on providing them superior quality, reliability and service. Socially responsible businesses are doing more to provide work which is meaningful, and which helps employees to develop and to realize their potential. They are seeking to provide fair wages, a healthy and safe work environment, and a climate of respect that in turn increase employees' meaningful work and higher quality of life, productivity, innovation, and increase committed people at all levels. Responsible business leaders provide clear evidence that sustainable environmental management makes good business sense. There is growing evidence that companies that rate highly on environmental criteria also provide better-than-average returns to shareholders. Since business operates in neighborhood, local, regional, national, and global communities, firms can make no more important contribution to these communities, and especially to local communities, than to provide meaningful jobs, fair wages and benefits, and tax revenues. Companies relate to communities in various ways such as charity, social investment, partnerships, and business basics.

Empirically Kechiche & Soparnot (2012) summarize that the implementation of CSR brings a certain number of advantages outcomes for a company for instance enhanced reputation and corporate image, improvement of working relations with staff, improvement in production processes and quality, financial advantages such as a reduction of costs and increased efficiency. Accordingly, SME can develop innovative products and services and thus take advantage of new and emerging markets. Furthermore implementing more careful management practices and measures, SME can reduce wastage and secure a reduction in costs or outlay. CSR is also believed to be able to be a catalyst for increased motivation and productivity amongst a company's workforce. At the same time, awareness and understanding of the challenges and issues involved in CSR can actually form a very good basis for competitive differentiation and ultimately contribute towards the improvement of company image. Thus, CSR can be viewed as a method of achieving better corporate image and reputation. However, CSR on SME tends to be more intuitive than strategic. Various perspective of SME's CSR is determined at the table 1.

Table 1 Theoretical and empirical perspective of SME's CSR:

Contents	Discussion
Definition of CSR in SMEs and practices	CSR in SMEs is on the increase. SME directors consider CSR not as an add-on but rather as part of their overall day-to-day management. Their responsible practices can be classified into three main categories namely internal social dynamics, external social dynamics and environmental dynamics.
Determining factors for commitment to responsible practice in SMEs	Academic research reveals several factors which predispose towards commitment to CSR in a SME. The central role played by the director himself or herself, internal and external proximity of the company and finally small size of operation all tend to encourage development of ethical rather than economic considerations.
Obstacles to adoption and implementation of CSR in SMEs	SMEs have certain weak spots such as the lack of resources, time and knowledge particularly of matters pertaining to sustainable development. In commitments to CSR a SME faces obstacles linked to the market particularly the difficulty of applying environmental and/or social regulations. Tools available are also poorly adapted to SMEs.
Positive examples and consequences of CSR in SMEs	There are many advantages for a SME as a result of implementing a CSR strategy. For instance reduced costs and increased efficiency bring financial advantage. In effect, by implementing more careful and cost saving measures or introducing products less harmful to the environment, a SME can reduce waste and develop innovative products and services. CSR also enables a business to increase the motivation and productivity of its workforce. Being aware of the challenges of CSR can actually constitute the basis of competitive advantage for the business and enhance corporate image.

Sources: CSR within SMEs: Literature Review by Kechiche & Soparnot (2012)

SME's Reputation

SMEs play important roles for economic and technological development and innovation in the context of smaller firms has received much interest in literature. SME as a business entity is believed to force gaining a unique achievement. Although SMEs typically face considerable resource constraints, they are often has high achievements and success. They have to specify their organizational performance that comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard, Devinney, Yip, & Johnson (2009), organizational performance encompasses three specific areas of firm outcomes such as financial performance (profits, return on assets, return on investment, etc.); product market performance (sales, market share, etc.); and shareholder return (total shareholder return, economic value added, etc.). SMEs are believed to be more nimble than their larger counterparts, they can move faster and, hence, obtain these monopoly rents for a longer period of time (Rosenbusch, Brinckmann, & Bausch, 2011). The introduction of innovative products, services, processes, or business model tailored to attractive niches is an additional opportunity for SMEs to stand out from competition. Rosenbusch, Brinckmann, & Bausch (2011) argue that by offering high innovative products, small firms can avoid price competition. In addition, innovative products may create new demand and, thus, facilitate firm growth.

Scholars believe that CSR initiatives SME to create positive moral capital and to support a firm's intangible assets such as credibility and reputation (Godfrey, 2005; Branco and Rodrigues, 2006). Reputation is a signal of the main characteristics of the company and as competitive advantage (Melo and Garrido-Morgado (2012). A good reputation will protect the company from the consumer perception of negative information (Lange et al. 2011). The company's reputation is the result of management actions and CSR engagement can be an effective way to achieve competitive advantage (Melo and Garrido-Morgado 2012). Fombrun (2005) argues that CSR implementation enhances the reputation of the company as an external motivation. Whereas Lai et al. (2010) believe that the consumer perception of the company's CSR activities is positively related to the company's reputation. Hence, Hsu (2012) found a positive effect between CSR initiatives of the company's reputation. The company linked to a certain social issue and is involved in will be perceived for further credible firms (Sego, 2002). Since corporate brand credibility is still one of the most important issues for consumers, therefore SME have to take account as a strategic development. Thus, it is posit that:

H1: CSR are positively related to SME's reputation

H1a: CSR in term of working condition is positively related to SME's reputation

H1b: CSR in term of customer is positively related to SME's reputation

H1c: CSR in term of community involvement is positively related to SME's reputation

H1d: CSR in term of environment is positively related to SME's reputation

Ethical Sensitivity

Ethical sensitivity is the ability to recognize or perceive ethical content in a problem situation before an ethical decision is made (Yetmar and Eastman 2000). It refers to the ability to recognize and understand ethical problems, to deal with conflicts empathically, and to evaluate the consequences of actions. Ethical sensitivity is therefore not a uniform construct, including at least seven areas of skills. Firstly it is about reading and expressing emotions means understanding and identifying emotional expressions, as well as learning how to appropriately express emotions and manage aggression in different contexts. Taking the perspectives of others refers to the ability to use an alternative perspective, for example, that of other persons from a distinct cultural group or with a different socioeconomic status. Caring by connecting to others involves transcending self-interests and providing care to others. Working with interpersonal and group differences includes perceiving and adjusting to diversity and multicultural adaptation. Preventing social bias involves identifying and countering interpersonal biases. Generating interpretations and options refer to skills to re-evaluate routines and to find another way to act. Finally Ethical sensitivity is about identifying the consequences of actions and option refers to our abilities to reflect to the outcome of actions and behaviors and to create alternative options (Narvaez & Endicott, 2009). Ethical sensitivity as individuals' cognitive and intrinsic motivating tendencies of SME's managers affect how they perceive public goods problems in an effort to more fully understand how to encourage them to make sustainability concerns part of their decision-making process including CSR. Accordingly, it is expected that ethical sensitivity of SME's managers effect SME's reputation.

Thus the hypotheses proposed are:

H2: SME's owner ethical sensitivity effect SME's reputation

Ethical intensity has been recognized as an important variable which could provide answers on individual's ethical judgment differences on certain ethical issues (Johari, 2013). Individual differences on their ethical orientation may account for varying approaches to ethical judgments (Forsyth, 1980). Hence it is indicated that ethical sensitivity is likely to increase the intention CSR application toward SME's reputation. SME's owner ethical sensitivity may promote a better intension of CSR application that in turn increases the SME's reputation as well. Furthermore the interaction of CSR and ethical sensitivity of SME's owners have different effect of SME reputation. The hypotheses proposed are:

H3: SME's owner ethical sensitivity mediates the effect of CSR on SME's reputation

H3a: SME's owner ethical sensitivity mediates the effect of CSR in term of working condition on SME's reputation

H3b: SME's owner ethical sensitivity mediates the effect of CSR in term of customer on SME's reputation

H3c: SME's owner ethical sensitivity mediates the effect of CSR in term of community involvement on SME's reputation

H3d: SME's owner ethical sensitivity mediates the effect of CSR in term of CSR in term of environment on SME's reputation

H4: The effect of CSR on SME's reputation is higher for better SME's owner ethical sensitivity than their counterparts

H4a: The effect of CSR in term of working condition on SME's reputation is higher for better SME's owner ethical sensitivity than their counterparts

H4b: The effect of CSR in term of customer on SME's reputation is higher for better SME's owner ethical sensitivity than their counterparts

H4c: The effect of CSR in term of community involvement on SME's reputation is higher for better SME's owner ethical sensitivity than their counterparts

H4d: The effect of CSR in term of environment on SME's reputation is higher for better SME's owner ethical sensitivity than their counterparts

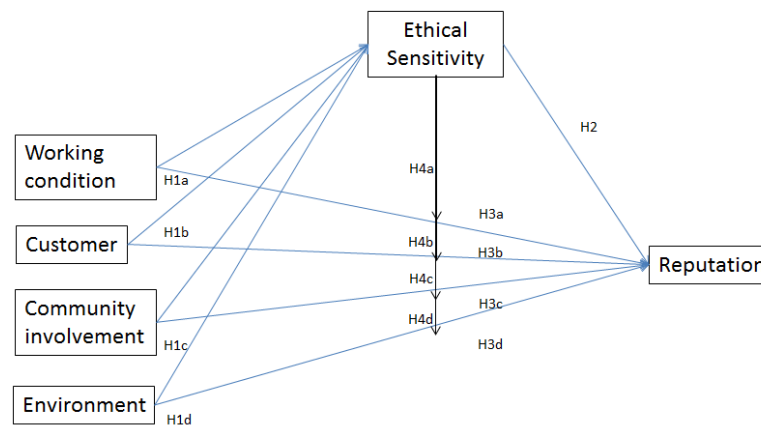


Figure 1 Model of Study

Methodology

Sample and Data Collection

Cluster random sampling is used at this study to obtain the information from Small and Medium Enterprise samples. From 336 Small and Medium Enterprise chosen, 33% response rate was taken of 112 responded of the survey questionnaires. However only 93 responses are selected to further analyzes.

Measurement

Ethical sensitivity is measured by using The DIT-2 and its predecessor, the original DIT, are psychometric instruments used to measure an individual's stage of moral reasoning (Rest 1986; Rest et al. 1999). The new iteration has demonstrated construct validity and reliability across contexts, and thus, is the most frequently utilized instrument for measuring moral development today. There are five ethical dilemma scenarios in the DIT-2. Respondents are given a choice of two actions related to the dilemma.

Corporate social responsibility is measured by modifying Kinder, Lindenberg & Domini (KLD) instrument. We use only the five dimensions that are relevant to the SMEs.

Reputation is measured by instrument developed by Subroto (2002)

Demographic of respondents are used within the analysis are include gender, marital status, and education level.

Result

Demographic variables assessed in the study reflect gender, marital status, age, experience, and education level: 58 % are female, 42% male; and junior high school 15%,

senior high school 38%, bachelor degree 42% and postgraduate 4% . This study examines the assumptions underlying the use of structural equation modeling. According to Kock (2013) standard of fitting, the results of the modified model are indicating a satisfactory fit for the measurement model. The results of model of fit by using Warp PLS version 3.0 are shown at the table 2.

Table 2 the Model of Fit

Fit	Value	Standard	
Average path coefficient (APC)	0.335**	P<.05	accepted
Average R-squared (ARS)	0.211**	P<.05	accepted
Average adjusted R-squared (AARS)	0.198**	P<.05	accepted
Average block VIF (AVIF)	1.422	3.3 – 5	accepted
Average full collinearity VIF (AFVIF)	1.552	3.3 – 5	accepted
TenenhausGoF (GoF)	0.386	small ≥ 0.1 medium ≥ 0.25 large ≥ 0.36	accepted
Sympson's paradox ratio (SPR)	0.875	$\geq 0.7 - 1$	accepted
R-squared contribution ratio (RSCR)	0.991	$\geq 0.9 - 1$	accepted
Statistical suppression ratio (SSR)	1.000	≥ 0.7	accepted
Nonlinear bivariate causality direction ratio (NLBCDR)	0.750	≥ 0.7	accepted

The results of reliability analysis include the value of CR and AVE shown at table 3. CR index is found to be greater than 0.7 (Nunnally, 1978; Hair et al., 2006), whereas the values of the AVE are greater than 0.5 (Anderson & Gerbing, 1988; Steenkamp & van-Trijp, 1991). Accordingly, all constructs are internally consistent.

Table 3 Factor Loading of Construct

	Items	Mean	SD	Loading	C.R.	AVE
Ethical Sensitivity	EthS1	2.78	2.45	0.945	0.968	0.748
	EthS2	3.38	2.63	0.754		
	EthS3	2.27	2.24	0.951		
	EthS4	2.66	2.3	0.985		
	EthS5	2.8	2.33	0.973		
	EthS6	2.65	2.17	0.967		
	EthS7	2.32	2.32	0.943		
	EthS8	2.7	2.38	0.962		
	EthS9	3.09	2.44	0.891		
	EthS10	2.46	2.34	0.97		
Working Condition	WC1	3.69	1.17	0.815	0.876	0.61
	WC2	3.03	1.38	0.884		

	Items	Mean	SD	Loading	C.R.	AVE
Customer	WC3	2.78	1.59	0.821	0.816	0.689
	WC4	3.89	1.38	0.797		
	WC5	3.51	1.22	0.466		
	Cust1	4.66	0.71	0.83		
	Cust 2	2.8	1.32	0.83		
Community Involvement	CInv1	3.17	1.21	0.87	0.875	0.701
	CInv 2	3.09	1.22	0.907		
	CInv 3	2.18	1.09	0.724		
Environment	Env1	3.91	1.21	0.654	0.875	0.748
	Env2	3.58	1.23	0.861		
	Env3	3.31	1.24	0.792		
	Env4	4.17	0.89	0.873		
Reputation	Rep1	4.71	0.61	0.67	0.932	0.754
	Rep3	4.6	0.83	0.93		
	Rep4	4.68	0.74	0.95		
	Rep5	4.6	0.81	0.9		
	Rep6	4.54	0.75	0.81		

Validity tests are included convergent and divergent validity. The convergent validity test is accepted. It is assessed by checking individual item loadings for each corresponding research construct at table 3. It is found that the values of factor loadings are above the recommended value of 0.5. Further Average Variance Constructed (AVE) values are found higher than 0.5. Hence based on Fornell & Larcker (1981), the convergent validity is accepted. Discriminant validity is indicated by correlation between variables and the values of square root of AVE. Table 4 shows that the inter-correlation values for all paired latent variables less than 1.0, and square root of AVE values are higher than correlation within the construct test. Therefore indicating the existence of the discriminant validity and values less than the recommended 0.7 (Nunnally & Bernstein, 1994). Accordingly, the values for the discriminate validity between variables do not overlap.

Table 4 Square Root of AVE and correlation of construct

	1	2	3	4	5	6
7. Ethical sensitivity	0.936	-0.529	0.205	0.275	0.088	0.031
8. Working condition	-0.529	0.771	-0.001	-0.047	0.178	0.222
9. Customer	0.205	-0.001	0.830	0.283	0.564	0.257

10.	Community involvement	0.275	-0.047	0.283	0.837	0.233	0.254
11.	Environment	0.088	0.178	0.564	0.233	0.800	-0.028
12.	Reputation	0.031	0.222	0.257	0.254	-0.028	0.857

Diagonal element: square root of AVE; off-diagonal: correlation between construct

The model of mediation effect of ethical sensitivity on the relationship between CSR and firms' reputation is found satisfactorily accepted. All of the standards of fit are within the range of acceptance (table 5)

Table 5 the Model of Fit

Fit	Value	Standard	
Average path coefficient (APC)	0.264**	P<.01	accepted
Average R-squared (ARS)	0.581**	P<.01	accepted
Average adjusted R-squared (AARS)	0.560**	P<.01	accepted
Average block VIF (AVIF)	1.619	< 5	accepted
		< 3.3	Ideally
Average full collinearity VIF (AFVIF)	1.552	< 5	accepted
		< 3.3	Ideally
TenenhausGoF (GoF)	0.640	small ≥ 0.1 medium ≥ 0.25 large ≥ 0.36	accepted
Sympson's paradox ratio (SPR)	0.778	≥ 7	accepted
		1	Ideally
R-squared contribution ratio (RSCR)	0.955	≥ 9	accepted
		1	Ideally
Statistical suppression ratio (SSR)	1	≥ 0.7	accepted
Nonlinear bivariate causality direction ratio (NLBCDR)	0.944	≥ 0.7	accepted

The results of mediation hypothesis testing are shown at figure 2. Hypothesis-3 investigates whether the mediation effect of ethical sensitivity of SMEs' owner on the relationship between CSR and SME's reputation. It is found that ethical sensitivity mediates the effect of working condition ($\beta_1 = -0.336^{**}$; $\beta_2 = -0.023$) and customer ($\beta_1 = 0.555^{**}$; 0.379^{**}) on SME's reputation. However it does not mediate the effect of Community involvement ($\beta_1 = -0.105$; $\beta_2 = 0.162$) and environment ($\beta_1 = 0.014$; $\beta_2 = -0.294^{**}$) on SME's reputation. Accordingly, hypothesis-3 is partially supported.

Table 7 Mediation effect of Ethical Sensitivity

	Direct effect (β_1)	indirect effect (β_2)	Role of Mediator
Working condition	-0.336**	-0.023	Accepted

Customer	0.555**	0.379**	Accepted
Community involvement	-0.105	0.162	rejected
Environment	0.014	-0.294**	rejected
Ethical Sensitivity		0.513**	
R ²	0.44	0.66	

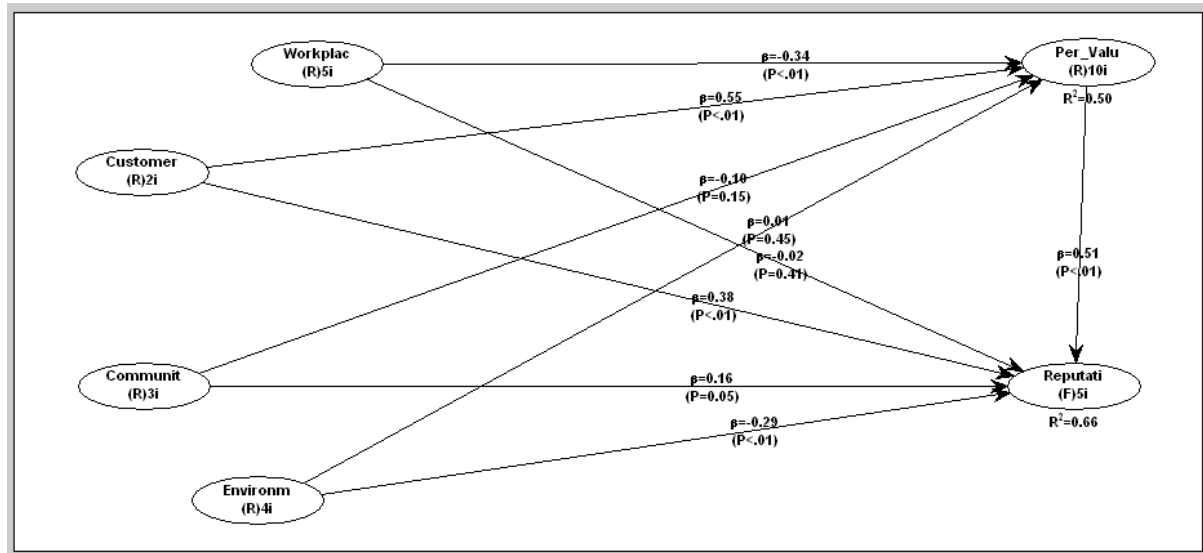


Figure 2 Analysis result of mediation hypothesis

The model of moderation effect of ethical sensitivity on the effect of CSR on firm's reputation is found satisfactorily accepted. The standards of fit are within the range of acceptance (table 5)

Table 5 the Model of Fit

Fit	Value	Standard	
Average path coefficient (APC)	0.315**	$P < .01$	accepted
Average R-squared (ARS)	0.805**	$P < .01$	accepted
Average adjusted R-squared (AARS)	0.786**	$P < .01$	accepted
Average block VIF (AVIF)	2.413	< 5	accepted
		< 3.3	Ideally
Average full collinearity VIF (AFVIF)	3.861	< 5	accepted
		< 3.3	Ideally
TenenhausGoF (GoF)	0.764	small ≥ 0.1 medium ≥ 0.25 large ≥ 0.36	accepted
Sympson's paradox ratio (SPR)	0.875	≥ 7	accepted
		1	Ideally
R-squared contribution ratio (RSCR)	0.953	≥ 9	accepted
		1	Ideally
Statistical suppression ratio (SSR)	0.625	≥ 0.7	rejected
Nonlinear bivariate causality direction ratio (NLBCDR)	0.938	≥ 0.7	accepted

The results of moderation hypothesis testing are shown at figure 3. Hypothesis-4 investigates whether interaction of ethical sensitivity of SMEs' owner and CSR is partially effect on SME's reputation. It is found that the interaction of ethical sensitivity and working condition is negatively effect on SME's reputation ($\beta=-.474$; $p<.01$), the interaction of ethical sensitivity and customer have positive effect on SME's reputation ($\beta=.33$; $p<.01$), and the interaction of ethical sensitivity and community involvement have positive effect on SME's reputation ($\beta=.375$; $p<.01$). However the interaction of ethical sensitivity and environment has not significant effect on SME's reputation ($\beta=.113$; $p>.05$), Hence, hypothesis-4 is partially supported.

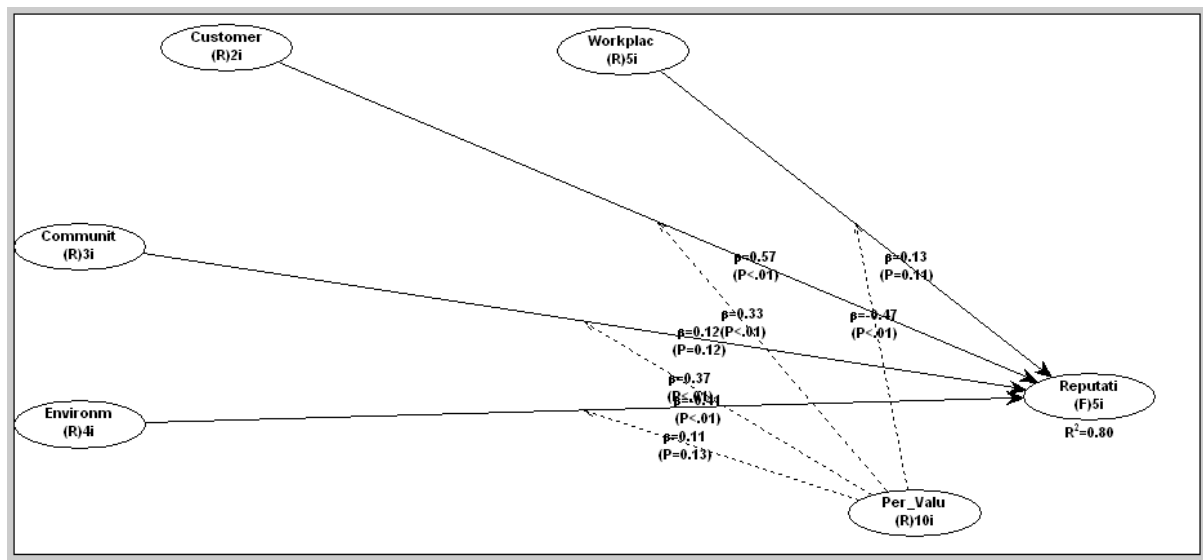


Figure 3 Analysis result of moderation hypothesis

Discussion

This study finds that ethical sensitivity is partially mediate and moderate the effect of CSR on SME's reputation. Ethical sensitivity mediates the effect of working condition and customer on SME's reputation. SMEs' owners with better sensitivities are predicted to increase the effect of working condition and customer on SME's reputation. Some CSR activities aimed to increase workforce condition includes offering training and staff development, creating equal opportunities and diversity, helping workers to maintain a work-life balance. Those activities are indicated to have better effect on firms' reputation when SMEs' owner able to recognize or perceive ethical content in a problem situation of

workforce condition that in turn generate SMEs' owners to their ethical decision made. For example firms' activities to help workers maintaining their work-life balance will be have a better effect on firms' reputation in term of fostering the market relationship to increase social capital, when SMEs' owner able to recognize or perceive ethical content in work-family conflict of workers and help them to solve the problems. Offering training and staff development with the ability of training need assessment of SMEs' owner produces better training and development results that in turn increase the firm reputation.

CSR activities aimed to increase customer orientation refers to the way in which a business focuses on the needs of its customers by responding quickly to consumers' orders and complaints about its products and services, is open at convenient times, provides customers with useful information, treats customers fairly, charges fair prices, and generates profit without cheating the customers. Those CSR activities include targeting improvements in product quality and safety, providing voluntary customer services, charging fair prices, ethical marketing, paying timely, cooperating with local partners, promoting good standards in supply chains, and supporting the creation of local/regional business cooperatives (Turyakira, Venter, & Smith, 2014). Accordingly SMEs' owner with ability to recognize and understand ethical problems, to deal with conflicts empathically, and to evaluate the consequences of actions increasing customer satisfaction is indicated to strengthen the effect of quick respond to consumers' orders and complaints about its products and services on firms' competitive advantage as well as its reputation. Those direct actions such as helping workers and customers are reasonable to SME with various limitations of resources.

Ethical sensitivity is found to fail mediating the effect of community involvement and environment on SME's reputation. Society-oriented CSR activities refer to those community involvement activities aimed at community, sports, health and well-being, education, assistance to low income groups and community participation. Such activities are viewed as support for social and cultural community activities, as well as community development and other related issues. The reputation of a business at its location-its image as an actor on the local scene certainly influences its competitiveness. A business which is considered socially responsible can benefit from its enhanced reputation within the public and business community. However SMEs' owner with better ethical sensitivities consistently may take account the limitation of resources as significant obstacles to implement CSR that in turn fail to strengthen the effect of community involvement on firms' reputation.

Environmentally oriented CSR activities refers to the measures a business can take to minimize its negative impact on the natural environment, such as the ecological and economic use of natural resources, using environmentally friendly packaging, recycling, waste reduction, energy and water conservation, and pollution control. The most important environmentally oriented CSR activities concern the consumption of materials and energy, and the handling of pollution and waste in the most environmentally friendly manner. SMEs revealed that environmentally oriented CSR activities are generally aimed at designing environmentally friendly products or production processes or being actively engaged in recycling activities. Environmentally oriented CSR activities had a positive impact on their business reputation. Businesses that are environmental stewards stand to gain many satisfied and loyal customers. However SMEs' owner with ethical sensitivities may consistently assume that the environment orientation of CSR implementation is costly. Accordingly ethical sensitivity fails to strengthen the effect of environment orientation on firms' reputation.

The interaction of ethical sensitivity and working condition is found negatively effect on SME's reputation. Different ethical sensitivity is found to have a contrast effect of working condition on SME's reputation. Better ethical sensitivity of SME's owner decrease the effect of working condition on firm reputation. The effect of working condition on SME's reputation SMEs' is higher for SMEs' owners with less ethical sensitivity compare to firm with more sensitive on ethics. Hence ethical sensitivity moderates the effect of working condition on SME's reputation. It is plausible to the context that SME with better sensitivities of owner may bring the effect of working condition on SME's reputation down. Their sensitivity is likely play a better role on SMEs' reputation. Therefore training and staff development, equal opportunities and diversity, maintain a work-life balance of workers may have less impact on firm reputation when SMEs' owner recognize or perceive ethical content to deal with workforce problems. The attention of SMEs' owner to their workers' problems may appreciated better rather than offering formal activities at work such as training and staff development, creating equal opportunities and diversity, maintain employees' work-life balance. Within their small workplace, the ethical behavior of the owner is seems to be more meaningful. Accordingly the closer relationship between owner and workers leads for further credible firms rather than the formal activities at work.

The interaction of ethical sensitivity and customer orientation have positive effect on

SME's reputation. SME with narrow scope of business, limited resources, and highly depended on other parties, need a unique strategic posture to prevent and develop their business. Accordingly, strengthened the effect of customer business focus on its reputation need a positive interaction to their internal competitive advantages such as SME's owner ethical sensitivity. Market evaluates a business operation by using the overall benefit of the firm's product. Accordingly firm with better ethical sensitivities of owner is believed to have preferable effect of the focuses on the needs of its customers on firm reputation by respond to consumers' orders and complaints faster, and treats their customers more equitable rather than SME's lead by poor owners' ability to recognize and understand ethical problems, to deal with conflicts empathically, and to evaluate the consequences of actions.

Further interaction of ethical sensitivity and community involvement is found to have positive effect on SME's reputation. Acceptance business operation within the communities in line to the need of its communities expectation to increase their well being. Accordingly community may involve to the business activities is likely being motivated by their expectation to make better benefit of business existance. Otherwise, the perspective of communities on the SME's business may vary. One may believe that SME's operation can help to increase community's sense of business. Community with fast growing SMEs motivate people within communities to set up similiar business. Whereas others may assure that SME may open various opportunities to people to have a better job. Accordingly the CSR orentation to the communities is constantly being supported and thus promote SME reputation. Abilities of SME's owners to recognize and understand ethical community's problem support the effect of CSR interm of community involvement on firm reputation. Accordingly SMEs' owner with better ethical sensitivities is believed tobe able to deliver the higher quality of community development activities that in turn make a better effect on firm reputation rather than SME with weak owner ethical sensitivity.

This study is however found the interesting finding. The interaction of ethical sensitivity and environment is not significant effect on SME's reputation. Hence it is assumed that SME lead by various ethical sensitivity level of owner produce an equal effect of CSR interm of environment concern on SME reputation. SME's owner ability to recognize and understand ethical problems, to deal with conflicts empathically, and to evaluate the consequences of actions seems useless to make a different effect of CSR in term of environmental concern on firms' reputation. It is likely an acceptable condition that SME

with limited operation has slightly range of requirement of negative effect on environment rather than big business operation. Accordingly ethical sensitivity is seem useless to apply on the effect of CSR in term of environment on firm reputation.

Managerial implication

The finding of this study is indicated to have various impacts on managerial decision. SMEs' owner is suggested to increase their ethical sensitivities to strengthen the effect of workplace conditions and customer intention on firms' reputation. It is believed that better ability of SME's owner to recognize and understand ethical problems, to deal with conflicts empathically, and to evaluate the consequences of actions may increase firms' reputation. The opposite effect of workplace condition on firm reputation may decrease as an effect of SMEs' owner ability to deal with the conflict of workers, and the effect of customer intention is able to be increase as well. Accordingly, they have to actively elevate their knowledge and skill of their analytical problem, conflict handling, and forecast the program result in order to satisfy their workers and customers. However SME's owner has creatively to promote other supporting attitude to bear the effect of CSR in term of community and environmental concern on firm reputation. It is indicated that those CSR requirement are broader than workers' and customers' one. Hence SME's owner needs to collaborate with other parties to increase the effect of community and environmental concern on firm reputation.

Negative interaction of ethical sensitivity and workplace condition imply the SME's owner to pay attention to the workers' perception on their leader behavior and the official activities and role at work. The better communication between SMEs' owner and his/her workers is likely bridging the understanding gap of objective for both interventions. Workers may appraise the quality of official activities offered by management is equal to the quality of their super ordinates. Hence, sometimes they bag the better quality of such training and development offered by parties which have a better quality as well as judging from the book cover. Accordingly, training and staff development offered by SMEs' owner with better ethical sensitivity is likely charged to have a better quality rather than common training and development programs. Accordingly it is plausible that the interaction of ethical sensitivity and workplace condition diminish the effect of workplace condition on firm

reputation.

SME with better ethical sensitivity of owner promotes a stronger effect of customer intention and community involvement on firms' reputation. It indicates that ethical sensitivity is a positive atmosphere for SME to make a faster respond to customer needs and to promote wider participation of communities that in turn produce a better effect on firm reputation. Accordingly SMEs' owner has to strengthen their ethical sensitivity to endorse CSR on firm reputation. Whereas equal effect of environment on firm reputation between high and low ethical sensitivity is imply SMEs' owner to integrate their perspective of business impact on the natural environment. Even though the CSR in term of environment is not related to the SME reputation, it is believed that SMEs' owner able to recognize and understand of the problem of the negative impact of his/her business operation on the natural environment may anticipate their business growth on the environmental considerations. Accordingly SMEs' owner has to anticipate all of the negative impact on the natural environment during their business growth, such as the growth of volume recycling, waste and pollution.

Limitation & Suggestion for future researchs

Notwithstanding these contributions, this study has its limitations. This study allows us to rule out SMEs' owner ethical sensitivity. However, it is an open question as to whether these results can be applied on different broader coverage of various sub conditions of SME such as cluster, size, different country and culture should become future attractive investigations. It might be expected to relate to CSR differently. Although owner ethical sensitivity is found to mediate and moderate the effect of CSR on firm reputation, other psychological attachment variables can be used to explain this model.

Additional longitudinal study on SME's growth is needed. It is likely able to explain the prediction of CSR requirement on firm reputation. Measurement equivalence is now more than ever a general concern in organizational studies. It is not only examined in cross-cultural studies, but in comparisons of participants with different levels of academic achievement, from different industries, of different sexes, in experimental versus control groups, and in comparisons between self-and subordinate-ratings of perception of SMEs condition. Hence, examining the equivalence approach as the extended procedure (Cheung,

1999) solves the standardization problem by performing a systematic comparison of all pairs of factor loadings across groups. Hierarchical linear model is suggested to investigate the different perception of workers on the level of SMEs' firm (Stephen & Anthony, 2002).

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SECOND PAPER

THE EFFECT OF ETHICAL SENSITIVITY OF SME's OWNER ON THE CORPORATE SOCIAL RESPONSIBILITY INTENTIONS TO PROMOTE SME's REPUTATION

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Abstract

Corporate social responsibility (CSR) has become interesting topic on the small and medium enterprises (SMEs). It is believed to be able to increase various advantages for SME's. However most of SME's owner has a lot of barrier to maximize the opportunities of CSR practices. It is believed that different SME's owner's ethical sensitivity may bring over the effect on the practice of CSR's to promote the SME's reputations. Accordingly this paper investigated the effect of owner's ethical sensitivity on the practice of CSR toward SME's reputation and outcomes. The result showed that partially ethical sensitivity affected to the practices of CSR to promote SME's reputation. Managerial implication and suggestion for future research are discussed.

Keywords:

CSR, Ethical Sensitivity, Reputation

Introduction

Corporate social responsibility (CSR) has become widely discussed topic. Most of the focus has remained on large corporations such as Fortune 100 or Fortune 500 companies. Even when the Global Compact was launched in 2000, the focus was on large multinational corporations and their activities. Whereas small and medium enterprises (SMEs) makeup more than 90 percent of businesses worldwide and account for between 50 and 60 percent of

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employment (Vives, 2005). However CSR for SMEs has received a little attention (Gallo, 2004; Spence, 1999; Murillo and Lozano, 2006).

Humphreys, Robin, Reidenbach, & Moak, (1993) argued that several studies are needed for separating research on small business ethical attitudes from those of larger organizations. SME's managers were found to have several different approaches to business in such areas as innovation, risk-taking, and independent action than their counterparts in larger organizations. Perceptions and attitudes of owners or managers of small businesses have various statements about social responsibility which found differ from larger business managers. Small businesses are seemed to be in touch with the expectations of society, for the most part, and, in fact, to be more critical of their performance than is the general public. The important internal and external factors that affect small business ethics are also found significantly different from large businesses. Internal factors included such things as different norms and pressures from community and peers as well as the differences in fear of punishment. Differences in external factors included the impact of trade organizations, churches, and competition. Differences between the views of small and large business managers on ethical issues were noted. MNC views CSR as their considerable philanthropic engagement for their workforces in and local communities by using their considerable sums of money on promoting the general well-being of their society. It becomes a multi-layered concept, which can be differentiated into economic, legal, ethical and philanthropic responsibilities (Matten, 2006). Large corporations are assumed to have greater resources available to them to do this and stronger imperatives to do so in the form of a greater number of external stakeholders. Whereas small and medium enterprises (SMEs) people are indicated pointing CSR as the process of creating a consensus within the management and leadership network. Scholars believe that CSR practices for SMEs are able to improve various outcomes such as organizational culture, image and reputation, improve customer loyalty, stakeholders satisfaction, and competitiveness that in turn increase their performance (Pastrana & Sriramesh, 2014; Turyakira, 2014). However, the relationship between CSR and sustainable development policy remains unclear (Murillo & Lozano, 2009). Accordingly SMEs' owners are indicated to manage their business by using difference intentions and perspectives than large business institution (McDowell, Harris, Aaron, & Lester, 2014).

SMEs are likely resist to apply CSR. SME's owner is likely has different concept related CSR and business ethics (Fassin, Van Rossem, & Buelens, 2011). Some of them are indicated to have less informed and unknowledgeable of the literature on CSR and business

ethics. Hence sense making occurs among SME's owner related CSR and ethics rather than cognitive perspective. SME's owner ethical sensitivity is indicated to apply on the intention and quality of CSR activities. Scholars argue that SME frequently have to deal with various obstacles implement CSR (Morsing and Perrini, 2009). SME's owners assume that CSR become a burden and financial costs. They believe that to implement CSR, SME's will have various obstacles such as limitations of financial and human resource, lack of accountability, and awareness of environmental issues. However some SME's are voluntary engage CSR as a part of their business activity. Hence SME's owner is indicated to have different intention on CSR as well as various ethical sensitivities that motivates them to adopt CSR (Spece and Rutherford, 2003, Spence et al., 2003, Hemingway & MacLagan, 2004). Hemingway & MacLagan, (2004) indicate that philanthropy and religious values, social changes and personal values bring over SME's owner intension to drive CSR. Personal values and interest in particular social cause can be a motivating factor for CSR. SME's owners are likely adopted a profit-seeking rather than a profit-sacrificing CSR approach. Their perception, the motivation, and part of the CSR activities are well incorporated in the decision to engage in CSR (Lee, Herold, & Yu, 2015). This factor is believed to be absolutely fundamental in the case of small enterprises (Quinn, 1997; Trevino, 1986). As a key decision maker, owner-manager has possibility to shape corporate value and culture in order to manifest their ethical sensitivity toward CSR (Klein and Kellermanns, 2008; Nicholson, 2008). However Lee, Herold, & Yu (2015) argue that SME's owner often has limited in communicating their CSR activities due to a lack of resources and management skills that in turn drives the overall CSR impact on business performance. Hence, their ethical sensitivity are indicate to restricted the optimizing their intention on CSR to promote SME's reputation as well. Accordingly, it is predicted that SME's owner who have more sensitivity to the ethical aspects, have better effort on the intention on CSR, that in turn increase the effect on their firm reputation.

Since Hofstede promoted various national culture empirical studies on different culture are vary. However recent study shows that the effect of nationality has stronger effect on culture rather than religion. It is indicated that the share national history is a potential culture factor (Minkov, & Hofstede, 2014). Models of national culture measure values, expressed by norms and/or behavior. These values are used as guiding principles in life and a value as a preference for one mode of behavior over another (de Mooij, 2013). Rosenbusch, Brinckmann, & Bausch (2011) argue that SMEs in societies characterized by strong collectivism. SME's based in collectivism countries benefit more than firms operating in

countries with medium and high levels of individualism. It is believed that Corporate Social Responsibility (CSR) in the Eastern context has distinctive roots and unique expressions that do not always mirror the current understanding and practice in the western context (Jamali, 2014). Accordingly scholars are attracted to investigate the application of different personal value within various national cultures that is believed to render ones' ethical sensitivity toward CSR practices on SME. Thus this paper explores the effect of ethical sensitivities of SME's owner on CSR promoting SMEs reputation in the case of Indonesia SME's.

Literature Review

Corporate Social Responsibility

CSR has traditionally believed as associated with huge businesses. However, the SME's business sector is such a significant sector worldwide in terms of the economic, environmental and social impact it makes. Hence, attention has been turned to discussion and analysis of principles and practice of CSR in small and medium size businesses. SMEs are not merely small versions of big businesses (Kechiche & Soparnot, 2012). In 1953 Bowen first introduced the idea of CSR- describing it as an obligation for companies to take certain factors into consideration during the course of their business activities. The new awareness encouraged companies to implement practices compatible with the values of their business and to take into account the expectations of all its stakeholders- namely employees, suppliers, clients, consumers, the local community, environmental associations and NGOs.

Jenkins (2009) pointed out CSR as an all-embracing idea that concerns having an awareness of the impact of the business, and wanting to have a positive impact on a wide range of stakeholders through the business decisions that are made. Whereas Blombäck and Wigren (2009) believe that commitment of a company to operational activities, such as the introduction of measures which respect the environment, and can embrace the social by involvement in the community and by maintaining good working relations with local actors. SME's CSR is classified into three main categories included isolated internal social measures, external social measures, and environmental measures (Vives, 2006; Russo & Tencati, 2009). Internal social measures consist of the development of talent, the implementation of health and social security measures, and the improvement of working conditions. External social measures consist of the development of network links with the local economy, professional development and social integration. Environmental measures

consist of the reduction of energy consumption, reduction of waste and waste recycling (Kechiche & Soparnot, 2012).

There are six key responsibilities or dimensions of CSR i.e.: customers, employees, business partners, the environment, communities, and investors. Successful companies build lasting relationships with customers by focusing their whole organization on understanding what the customers want and on providing them superior quality, reliability and service. Socially responsible businesses are doing more to provide work which is meaningful, and which helps employees to develop and to realize their potential. They are seeking to provide fair wages, a healthy and safe work environment, and a climate of respect that in turn increase employees' meaningful work and higher quality of life, productivity, innovation, and increase committed people at all levels. Responsible business leaders are providing clear evidence that sustainable environmental management makes good business sense. There is growing evidence that companies that rate highly on environmental criteria also provide better-than-average returns to shareholders. Business operates in neighborhood, local, regional, national, and global communities. Companies can make no more important contribution to these communities, and especially to local communities, than to provide meaningful jobs, fair wages and benefits, and tax revenues. Companies relate to communities in various ways such as charity, social investment, partnerships, and business basics.

Empirically Kechiche & Soparnot (2012) summarize that the implementation of CSR brings a certain number of advantages outcomes for a company for instance enhanced reputation and corporate image, improvement of working relations with staff, improvement in production processes and quality, financial advantages such as a reduction of costs and increased efficiency. Accordingly, SME can develop innovative products and services and thus take advantage of new and emerging markets. Furthermore implementing more careful management practices and measures, SME can reduce wastage and secure a reduction in costs or outlay. CSR also believed to be able to be a catalyst for increased motivation and productivity amongst a company's workforce. At the same time, awareness and understanding of the challenges and issues involved in CSR can actually form a very good basis for competitive differentiation and ultimately contribute towards the improvement of company image. CSR can be viewed as a method of achieving better corporate image and reputation. However, CSR on SME tends to be more intuitive than strategic. Various perspective of SME's CSR is determined at the table 1.

Table 1 Theoretical and empirical perspective of SME's CSR:

Contents	Discussion
Definition of CSR in SMEs and practices	CSR in SMEs is on the increase. SME directors consider CSR not as an add-on but rather as part of their overall day-to-day management. Their responsible practices can be classified into three main categories namely internal social dynamics, external social dynamics and environmental dynamics.
Determining factors for commitment to responsible practice in SMEs	Academic research reveals several factors which predispose towards commitment to CSR in a SME. The central role played by the director himself or herself, internal and external proximity of the company and finally small size of operation all tend to encourage development of ethical rather than economic considerations.
Obstacles to adoption and implementation of CSR in SMEs	SMEs have certain weak spots such as the lack of resources, time and knowledge particularly of matters pertaining to sustainable development. In commitments to CSR a SME faces obstacles linked to the market particularly the difficulty of applying environmental and/or social regulations. Tools available are also poorly adapted to SMEs.
Positive examples and consequences of CSR in SMEs	There are many advantages for a SME as a result of implementing a CSR strategy. For instance reduced costs and increased efficiency bring financial advantage. In effect, by implementing more careful and cost saving measures or introducing products less harmful to the environment, a SME can reduce waste and develop innovative products and services. CSR also enables a business to increase the motivation and productivity of its workforce. Being aware of the challenges of CSR can actually constitute the basis of competitive advantage for the business and enhance corporate image.

Sources: CSR within SMEs: Literature Review by Kechiche & Soparnot (2012)

Ethical Sensitivity

Ethical sensitivity is the ability to recognize or perceive ethical content in a problem situation before an ethical decision is made (Yetmar and Eastman 2000, p. 272). It refers to the ability to recognize and understand ethical problems, to deal with conflicts empathically, and to evaluate the consequences of actions. Ethical sensitivity is therefore not a uniform construct, including at least seven areas of skills. Firstly it is about reading and expressing emotions means understanding and identifying emotional expressions, as well as learning

how to appropriately express emotions and manage aggression in different contexts. Taking the perspectives of others refers to the ability to use an alternative perspective, for example, that of other persons from a distinct cultural group or with a different socioeconomic status. Caring by connecting to others involves transcending self-interests and providing care to others. Working with interpersonal and group differences includes perceiving and adjusting to diversity and multicultural adaptation. Preventing social bias involves identifying and countering interpersonal biases. Generating interpretations and options refer to skills to re-evaluate routines and to find another way to act. Finally Ethical sensitivity is about identifying the consequences of actions and option refers to our abilities to reflect to the outcome of actions and behaviors and to create alternative options (Narvaez & Endicott, 2009). Ethical sensitivity as individuals' cognitive and intrinsic motivating tendencies of SME's managers affect how they perceive public goods problems in an effort to more fully understand how to encourage them to make sustainability concerns part of their decision-making process including CSR. Accordingly, it is expected that ethical sensitivity of SME's owners effect intention of CSR of SME. Thus the hypotheses proposed are:

H1: SME's owner ethical sensitivity effect SME's CSR

H1a: Ethical sensitivity has positive impact on corporate social responsibility dimensions that is working condition.

H1b: Ethical sensitivity has positive impact on corporate social responsibility dimensions that is customers concern.

H1c: Ethical sensitivity has positive impact on corporate social responsibility dimensions that is community involvement.

H1d: Ethical sensitivity has positive impact on corporate social responsibility dimensions that is environment concern.

SME's Reputation

SMEs play important roles for economic and technological development and innovation in the context of smaller firms has received much interest in literature. SME as a business entity is believed to force gaining a unique achievement. Although SMEs typically face considerable resource constraints, they are often has high achievements and success. They have to specify their organizational performance that comprises the actual output or

results of an organization as measured against its intended outputs (or goals and objectives). According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes such as financial performance (profits, return on assets, return on investment, etc.); product market performance (sales, market share, etc.); and shareholder return (total shareholder return, economic value added, etc.). SMEs are believed to be more nimble than their larger counterparts, they can move faster and, hence, obtain these monopoly rents for a longer period of time (Rosenbusch, Brinckmann, & Bausch, 2011). The introduction of innovative products, services, processes, or business models tailored to attractive niches is an additional opportunity for SMEs to stand out from competition (Porter, 1980). Rosenbusch, Brinckmann, & Bausch (2011) argue that by offering highly innovative products, small firms can avoid price competition. In addition, innovative products may create new demand and, thus, facilitate firm growth.

Godfrey (2005) believe that CSR initiatives to create positive moral capital and to support a company's idiosyncratic intangible assets such as credibility and reputation. The company's reputation is an intangible asset for companies (Branco and Rodrigues, 2006). Reputation is a signal of the main characteristics of the company and as competitive advantage (Melo and Garrido-Morgado (2012). A good reputation will protect the company from the consumer perception of negative information (Lange et al. 2011). The company's reputation is the result of management actions and CSR engagement can be an effective way to achieve competitive advantage (Melo and Garrido-Morgado 2012). Fombrun (2005) argues that CSR implementation enhances the reputation of the company as an external motivation. Whereas Lai et al. (2010) believe that the consumer perception of the company's CSR activities is positively related to the company's reputation. Hence, Hsu (2012) found a positive effect between CSR initiatives of the company's reputation. The company linked to a certain social issue and is involved in will be perceived for further credible firms (Sego, 2002). Since corporate brand credibility is still one of the most important issues for consumers, therefore SME have to take account as a strategic development. Thus, it is posit that:

H1: CSR are positively related to SME's reputation

H2a: Adoption of CSR in terms of working condition concerns has positive impact on reputation

H2b: Adoption of CSR in terms of customer concerns has positive impact on reputation

H2c: Adoption of CSR in terms of community involvement has positive impact on reputation

H2d: Adoption of CSR in terms of environment concern has positive impact on reputation

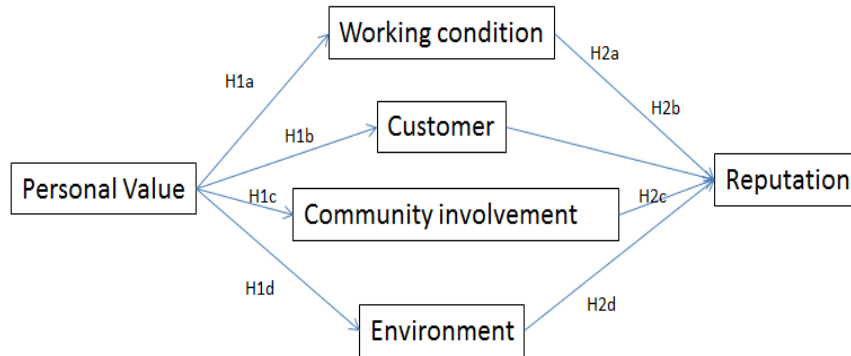


Figure 1 Model of Study

Methodology

Sample and Data Collection

Cluster random sampling is used at this study to obtain the information from Small and Medium Enterprise samples. From 336 Small and Medium Enterprise chosen, 33% response rate was taken of 112 responded of the survey questionnaires. However only 93 responses are selected to further analyzes.

Measurement

Ethical sensitivity is measured by using The DIT-2 and its predecessor, the original DIT, are psychometric instruments used to measure an individual's stage of moral reasoning (Rest 1986; Rest et al. 1999). The new iteration has demonstrated construct validity and reliability across contexts, and thus, is the most frequently utilized instrument for measuring moral development today. There are five ethical dilemma scenarios in the DIT-2. Respondents are given a choice of two actions related to the dilemma.

Corporate social responsibility is measured by modifying Kinder, Lindenberg & Domini (KLD) instrument. We use only the five dimensions that are relevant to the SMEs.

Reputation is measure by instrument developed by Subroto (2002)

Demographics of respondents are used within the analysis are includes gender, marital status, and education level.

Result

Demographic variables assessed in the study reflect gender, marital status, age, experience, and education level: 58 % are female, 42% male; and junior high school 15%, senior high school 38%, bachelor degree 42% and postgraduate 4% . This study examines the assumptions underlying the use of structural equation modeling. According to Kock (2013) standard of fitting, the results of the modified model are indicating a satisfactory fit for the measurement model. The results of model of fit by using Warp PLS version 3.0 are shown at the table 2.

Table 2 the Model of Fit

Fit	Value	Standard	
Average path coefficient (APC)	0.335**	P<.05	accepted
Average R-squared (ARS)	0.211**	P<.05	accepted
Average adjusted R-squared (AARS)	0.198**	P<.05	accepted
Average block VIF (AVIF)	1.422	3.3 – 5	accepted
Average full collinearity VIF (AFVIF)	1.552	3.3 – 5	accepted
Tenenhaus GoF (GoF)	0.386	small ≥ 0.1 medium ≥ 0.25 large ≥ 0.36	accepted
Sympson's paradox ratio (SPR)	0.875	$\geq 0.7 - 1$	accepted
R-squared contribution ratio (RSCR)	0.991	$\geq 0.9 - 1$	accepted
Statistical suppression ratio (SSR)	1.000	≥ 0.7	accepted
Nonlinear bivariate causality direction ratio (NLBCDR)	0.750	≥ 0.7	accepted

The results of reliability analysis include the value of CR and AVE shown at table 3. CR index is found to be greater than 0.7 (Nunnally, 1978; Hair et al., 2006), whereas the values of the AVE are greater than 0.5 (Anderson & Gerbing, 1988; Steenkamp & van-Trijp,

1991). Accordingly, all constructs are internally consistent.

Table 3 Factor Loading of Construct

	Items	Mean	SD	Loading	C.R.	AVE
Ethical Sensitivity	EthS1	2.78	2.45	0.945	0.968	0.748
	EthS2	3.38	2.63	0.754		
	EthS3	2.27	2.24	0.951		
	EthS4	2.66	2.3	0.985		
	EthS5	2.8	2.33	0.973		
	EthS6	2.65	2.17	0.967		
	EthS7	2.32	2.32	0.943		
	EthS8	2.7	2.38	0.962		
	EthS9	3.09	2.44	0.891		
	EthS10	2.46	2.34	0.97		
Working Condition	WC1	3.69	1.17	0.815	0.876	0.61
	WC2	3.03	1.38	0.884		
	WC3	2.78	1.59	0.821		
	WC4	3.89	1.38	0.797		
	WC5	3.51	1.22	0.466		
Customer	Cust1	4.66	0.71	0.83	0.816	0.689
	Cust 2	2.8	1.32	0.83		
Community Involvement	CInv1	3.17	1.21	0.87	0.875	0.701
	CInv 2	3.09	1.22	0.907		
	CInv 3	2.18	1.09	0.724		
Environment	Env1	3.91	1.21	0.654	0.875	0.748
	Env2	3.58	1.23	0.861		
	Env3	3.31	1.24	0.792		
	Env4	4.17	0.89	0.873		
Reputation	Rep1	4.71	0.61	0.67	0.932	0.754
	Rep3	4.6	0.83	0.93		
	Rep4	4.68	0.74	0.95		
	Rep5	4.6	0.81	0.9		
	Rep6	4.54	0.75	0.81		

Validity tests are included convergent and divergent validity. The convergent validity test is accepted. It is assessed by checking individual item loadings for each corresponding research construct at table 3. It is found that the values of factor loadings are above the recommended value of 0.5. Further Average Variance Constructed (AVE) values are found

higher than 0.5. Hence based on Fornell & Larcker (1981), the convergent validity is accepted. Discriminant validity is indicated by correlation between variables and the values of square root of AVE. Table 4 shows that the inter-correlation values for all paired latent variables less than 1.0, and square root of AVE values are higher than correlation within the construct test. Therefore indicating the existence of the discriminant validity and values less than the recommended 0.7 (Nunnally & Bernstein, 1994). Accordingly, the values for the discriminate validity between variables do not overlap.

Table 4 Mean, Standard Deviation, Square Root of AVE, and correlation of construct

		1	2	3	4	5	6
13.	Ethical sensitivity	0.936	-0.529	0.205	0.275	0.088	0.031
14.	Working condition	-0.529	0.771	-0.001	-0.047	0.178	0.222
15.	Customer	0.205	-0.001	0.830	0.283	0.564	0.257
16.	Community involvement	0.275	-0.047	0.283	0.837	0.233	0.254
17.	Environment	0.088	0.178	0.564	0.233	0.800	-0.028
18.	Reputation	0.031	0.222	0.257	0.254	-0.028	0.857

Diagonal element: square root of AVE; off-diagonal: correlation between construct

The results of hypothesis testing are shown at figure 2. Hypothesis-1 investigates whether Ethical sensitivity of SMEs' owner is indicated to be positively affect CSR. It is found that ethical sensitivity is positively effect on CSR in terms of customer ($\beta=.36$; $p<.01$), Community involvement ($\beta=.32$; $p<.01$), and Environment ($\beta=.28$; $p<.01$). However it is found to be failed to explain on the working condition ($\beta=-.55$; $p<.01$). Hypothesis-2 tests for further effect of CSR on SMEs' Reputation. The result shows that customer ($\beta=.42$; $p<.01$), community involvement ($\beta=.25$; $p<.01$), and environment ($\beta=.46$; $p<.01$) are significantly effect on SME's reputation. Yet the working condition ($\beta=-.04$; $p>.05$) is not related to SME's reputation. Hence, Hypothesis are partially supported.

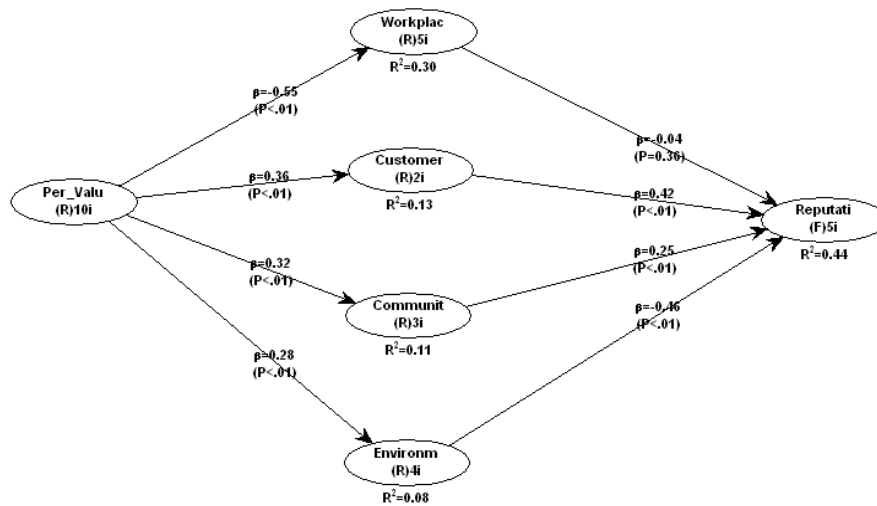


Figure 2 Analysis Result of hypothesis

Discussion

This study finds that partially ethical sensitivity affected to the practices of CSR to promote SME's reputation. It is indicated that the SME's owners are able to recognize or perceive ethical content in a problem situation before an ethical decision is made in term of customers concern, community involvement, and environment concern. However this study suggests that they are failed to recognize or perceive ethical content to make decision on working condition. Hence it is consistently resulted that the SME reputation is found to be reflected by customers concern, community involvement, and environment concern of CSR practice of SME.

These finding reflect that the SME's owners may recognize and understand ethical problem of relationships with customers. The highest effect of ethical sensitivity on customer draws SME's owners have a significant attention to their customer want and on providing them superior quality, reliability and service. It is plausible for overall business players to increase their business success (Humphreys, Robin, Reidenbach, & Moak, 1993). Scholars believe that the ethical decision making process of small business owner/managers are related to their customers. The nature of the relationship between a small business firm and its customers is, and must be, one of trust. Naturally they focus on customer service and their network of relationships as a means to develop relationships with others. Hence it is believed that they seem on focusing with connecting to customers (McDowell, Harris, Aaron, & Lester, 2014). They identify the consequences of actions and option refers to customer outcomes that in turn to promote consumers' awareness about their product or service, offer educational channel for general public, enhance sustainability of market place, and may

connect with other organizations in the community that in turn increase the reputation of their business.

SMEs' owner is likely to be able to recognize and understand ethical problems, conflicts, and consequences of operating business in neighborhood, local, regional, national, and global communities. They are driven to can make more important contribution to their business communities by using various ways: charity, social investment, partnerships, and business basics. It is believed that SMEs' owner reads and expresses their emotions means to understand and identify wellness of the community within their professional boundaries, limited resources and limits of competence. Accordingly, they are likely to balance their individualist perspective with a need to participate in and contribute to the overall wellness of the community in which their business (Schank, Helbok, Haldeman, & Gallardo, 2010). Even SMEs is likely to avoid cash gifts, the owners prefer to support local causes to express corporate values in the public arena as well as to promote firm reputation (Madden, Scaife, & Crissman, 2006). Scholars believed that SME do give they appear to be more generous than their larger counterparts. Many SMEs were found to engage with the community because it benefited their business, either through increasing sales or building staff morale. Hence, it is plausible that ethical sensitivity of SME's owner may bring about the respect to community in order to acquire their support on their business.

Responsible business leaders are believed to provide clear evidence that sustainable environmental management makes good business sense. Firms rate highly on environmental criteria to provide better-than-average returns to shareholders. Accordingly SMEs' owner is likely to be compelled by their ethical sensitivity to make a better attention to their business environment. Scholars suggest that business player may have a worth attention to their environment to ensure their sustainable business (Tounés, Gribaa, & Messeghem, 2015). Therefore to promote their firm reputation, SMEs' owner is motivated to engage their business environment management.

It is interesting to explain one of the sub- hypothesis results that SMEs' owner ethical sensitivity is negatively related to working condition applied from the sample surveyed that in turn have an inverse effect on firm reputation. CSR orientation is believed to ensure good working condition by various rules and regulations in fair way like paying taxes, and working for society and environment where it makes its operations (Tanveer, Malik, Tul-Habib, & Rizvi, 2012). However it is indicated that the owners may apply a close management within his/her business as well as a family business. Thus the employees seem to be lost their work

autonomy. Scholars indicated that some firms may lower its level of CSR undertaking for employees by means of reducing the wage level, extending working hours, provide poor working conditions (Junheng, 2013). It expected to have various inverse outcomes such as poor staff performance, lower employees' loyalty, lower down the image of such corporate, and subsequently lower down the corporate brand value. Employee may perceive that a stronger ethical sensitivity of SMEs' owner on CSR orientation, may increase the external social costs that in turn hold the opportunities of firm profit share on employee such as payment (Salam & McLean, 2014).

Managerial Implication

The current study has various managerial implications such as perspective sharing among internal stakeholders on ethical issues of CSR. Hence there are not differences between top level management and their subordinates in term of intention to CSR. However it may have a difficult solution in term of the communication process of the CSR policy for SME. Accordingly the learning of CSR for all staffs will be important to managers to increase their acceptance of CSR for a long terms orientation. The limitation of budgets and other resources have to be calculated in detail to implement CSR effectively. Hence the allocation of cost and investment center will be clearer.

Limitations and future research direction

Notwithstanding these contributions, this study has its limitations. This study includes single SME industry in Indonesia. A growing and significant SME plays in a Batik business which is inscribed on the UNESCO as world Heritage and has already grows in the international market within various products. However various SME's business are growing and contributing to economic development of Indonesian communities. Accordingly it is an open question as to whether these results can be applied on different broader coverage and level of SME. Different government policies of SME are suggested to have different effect of CSR intention. Hence, national and local policy of government may explain the different ethical sensitivity and CSR program on SME.

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Research Team

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Dr. Ratna Candra Sari, S.E., M.Si, Ak	0008107604	FE UNY	Corporate Governance & Corporate Social Responsibility	Meet and discuss with the partner at Aichi, develop hypotheses and research methods, supervise all the sample/data collection and data analysis, review all of the research finding, research report and research publication, present the paper at international conference.
RR. Indah Mustikawati, M.Si, Ak	0014106802	FE UNY	Small and Medium Enterprises	Collect and summarize articles from some academic journals, prepare the discussion of research finding and report, present one paper at Aichi's workshop, and prepare the research publication.
Ir Setyabudi Indartono, Ph.D		FE UNY	Human Resource Management	Collect and summarize corporate social responsibility articles from some academic journals, select the sample and collect all financial and CSR data, work on statistical analysis and make the interpretation, present one paper at Aichi's workshop.
Prof. TSUCHIYA TAKESHI, Ph.D		Aichi University of Education	Education and Sociology	